

MEMORANDUM OF UNDERSTANDING BETWEEN

THE BANK OF ITALY

AND

THE BANK OF ALBANIA

CONCERNING THEIR COOPERATION IN

THE FIELD OF SUPERVISION OF BANKS

1. The Bank of Italy ("BI") and the Bank of Albania ("BoA"), both hereinafter referred to jointly as "the Authorities" express their willingness to co-operate on the basis of mutual trust and understanding and agree to base their co-operation in the field of supervision of credit institutions on the principles and procedures outlined in this Memorandum.
2. The Bank of Italy is the Italian central bank, is constituted in the form of public law institution, and is independent from the Italian government. According to the 1993 Banking Code BI is responsible for the supervision of banks, banking groups, and non-bank financial intermediaries. In this responsibility BI has regard to the sound and prudent management of supervised institutions, to the overall stability, efficiency and competitiveness of the financial system and to compliance with provisions concerning credit. Moreover, according to the 1998 Code on financial intermediation, the BI is responsible for matters related to the limitation of risks and financial stability of securities investment firms, and collective investment undertakings.
3. The Bank of Albania is the central bank of the Republic of Albania and is an independent public legal entity. According to the 2006 "Banking Act" it is responsible for the supervision of entities carrying out banking and financial activity and non-bank financial institutions in order to ensure the sustainability of banking and financial system.

Information regarding institutions

4. The Authorities intend to co-operate in the supervision of cross-border establishments of credit institutions incorporated in the respective other country and within their respective jurisdiction. For the purpose of this Memorandum "credit institution" means an undertaking whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account. For the purpose of this Memorandum "cross border establishment" means a subsidiary or a branch authorised in Italy of a (parent) credit institution, which is authorised in Albania, or a subsidiary or a branch authorised in Albania, of a (parent) credit institution, which is authorised in Italy. The scope of co-operation encompasses the

licensing (both issuance and revocation), the ongoing supervision of the cross-border establishments, be they subsidiaries or branches, as well as the cooperation in the field of anti-money laundering and counter terrorist financing. The Authorities advise each other on cross-border establishments in or from the respective other country upon specific request to the extent allowed under the law and on any other relevant information that might be required to assist with the supervisory process.

Licensing

5. If a credit institution incorporated in one of the countries applies to the Authority in the other country for a license (permission) to open a branch, the other Authority shall consider such application within the time-limits and in accordance with the procedures established by its national banking legislation or regulations. In the process of establishing a branch within the territory of the other Authority, the home-country authority informs the host-country authority of the programme of operation and type of business envisaged by the branch, the amount of own funds, the solvency ratio and the historic track-records of the parent bank, as well as details of the deposit guarantee schemes in the home country. In addition, the home-country authority informs the host-country authority whether the parent bank is fully subject to and complies with the domestic banking regulation, and whether it is expected in the light of its administrative structure and internal controls to run the cross-border establishment in an orderly, prudent and proper manner.
6. Prior to the actual appointment of managers of cross-border establishments, on request the home-country authority discloses without delay any piece of available information to the host-country authority which might be useful in assessing the ability and professional skills of potential candidates (or management positions) and also provides information which might give rise to doubts as to the fitness and properness of the prospective managers of the cross-border establishments.

Co-operation concerning ownership control

7. The Authorities shall consult before granting authorisation to a subsidiary of a credit institution authorised in the other country or when assessing any acquisition of a significant participating interest, as defined by their respective national laws, in a domestic credit institution by a credit institution within the jurisdiction of the other Authority.

Ongoing supervision; corrective actions

8. The BI and the BoA inform each other, in good time and to the extent reasonable, about any event which has the potential to endanger the stability of credit institutions having cross-border establishments in the respective other country. They also notify each other on administrative penalties which they have imposed or any other action which they have taken on such a cross-border establishment as host supervisor or on the parent credit institution as home supervisor.
9. The BI and the BoA discuss any significant information on credit institutions having cross-border establishments in the other country which might be relevant to the other authority. Relevant matters are in particular: concerns about financial soundness of an institution (failure to meet capital adequacy or other financial requirements, significant losses, rapid decline in profits or a deterioration in profitability), concerns relating to compliance or control procedures, concerns arising from supervisory visits and on-site examination, prudential interviews or reports from and communications with an institution or other regulatory body, concerns arising from late or inaccurate prudential returns and concerns relating to supervisory arrangements in third countries.
10. Representatives of the BI and the BoA banking supervisors may require clarifications from the other party any time, as well as the carrying out of the meetings deemed necessary.
11. For any institution located in Albania and in Italy respectively, which are licensed in a third country and which apply for a license with the other authority, the BI and the

BoA will, as far as they are able, discuss any significant information available to them which might be relevant to the other Authority.

Crisis situations

12. The Authorities will inform each other without delay if they learn of an incipient crisis relating to any supervised institution that has cross-border establishments in the other country.

On-site inspections

13. The Authorities agree that co-operation is particularly useful in assisting each other in carrying out on-site inspections of cross-border establishments.

The BI is allowed to carry out inspections of subsidiaries and branches of Italian credit institutions (authorised in Italy) in Albania.

The BoA is allowed to carry out inspections of subsidiaries and branches of Albanian credit institutions (authorised in Albania) in Italy.

14. The Authorities shall notify each other at least two months in advance of any inspection, giving details of the names of the examiners, the purpose of the audit and its expected duration. The Authorities will allow each other to accompany any such on-site inspection carried out by the Authorities themselves. The Authorities will keep each other informed on the results of the inspections, if of interest to the host-country supervisor, to the extent reasonable and in a timely manner. If the parent institution has been audited along with its cross-border establishment in the other country, the home-country authority provides the host-country authority with a summary report on the findings which bear relevance to the cross-border establishment.

Co-operation in the field of anti-money laundering and counter terrorist financing

15. The Authorities agree to co-operate in the area of anti-money laundering and counter terrorist financing. To that end, the Authorities will exchange, at their own initiative or upon request, information that may be relevant to their supervisory activities.
16. Without prejudice to their domestic provisions on privacy and data protection, all information exchanged by the Authorities in the area of the prevention of money laundering and counter terrorist financing shall be treated confidentially and used exclusively for supervisory purposes, to the extent permitted by the relevant law of the Authorities.
17. In cases where the exchanged information has to be disclosed to third parties, paragraph 18 will apply.

Professional secrecy

18. Compliance with the obligation of professional secrecy by all employees who receive confidential information from the other Authority in the course of their activities is a necessary condition for a successful co-operation between the Authorities. The Authorities agree that any confidential information shared pursuant to this Memorandum will be used only for lawful supervisory purposes. To the extent permitted by law, the Authorities will hold confidential all information received from each other under this Memorandum and will not disclose any such information unless it is necessary for carrying out their supervisory responsibilities and after having obtained the prior consent of the other authority. The Authorities will, when receiving a legally enforceable demand for information originally received from the other authority or acquired in the course of an on-site examination in the other authority's jurisdiction, promptly notify in writing the Authority that provided the information about such possible onward sharing. If the informed Authority does not consent to such disclosure and if possible and appropriate, the Authority that is required to disclose the received information shall make its best efforts to avert such

disclosure, including informing requesting party of the possible negative consequences that such disclosure might have on the future exchange of confidential information between the Authorities.

Technical arrangements

19. In order to enhance the quality of co-operation, representatives of the BI and the BoA banking supervisors will convene regularly to discuss issues concerning credit institutions which maintain cross-border establishments within their respective jurisdiction. In these meetings they will also review the effectiveness of these arrangements. The BI and the BoA banking supervisors intend to promote their co-operation by visits for informational purposes and by short exchange of staff for practical internships.
20. The Authorities will ensure that they send each other the relevant lists of licensed and authorised institutions which they have authorised. They advise each other upon request on any aspect of their regulatory systems and notify about any major change in their domestic rules and regulations within their jurisdiction, in particular about those changes which have a significant bearing on the activities of cross-border establishments. To facilitate practical co-operation, the Authorities, after this agreement enters into force, exchange a written list with contact persons for the exchange of information (names, positions, telephone, fax and e-mail connection).
21. This Memorandum of Understanding shall remain in existence until either party notifies the other in writing of its wish to revise, amend or withdraw from the Memorandum of Understanding. One month's notice of any such action will be given.
22. Co-operation and assistance in accordance with this Memorandum of Understanding will continue until the expiration of 30 days after either Authority gives written notice to the other Authority of its intention to discontinue co-operation and assistance. If either Authority gives such notice, co-operation and assistance in accordance with this Memorandum will continue with respect to all requests for assistance that were

made before the effective date of notification until the requesting Authority withdraws the matter for which assistance was requested. In the event of termination of this Memorandum, information obtained under this Memorandum of Understanding will continue to be treated confidentially.

23. The BI and the BoA undertake to revise the present Memorandum of Understanding in the light of future developments in national and EU legislation and of experience gained in the supervision of respective institutions.

24. This agreement is written in the English language in two copies.

In Rome on 10/03/2011

In Tirana on 23.03.2011

For the Bank of Italy

For the Bank of Albania

Signed

Signed