

**MEMORANDUM OF UNDERSTANDING**  
**concerning cooperation in conducting banking supervision**  
**between**  
**the Bank of Italy**  
**and**  
**the Commission for Banking Supervision of the Republic of Poland**

The Banca d'Italia (hereinafter referred to as the BI),

and

the Commission for Banking Supervision of the Republic of Poland, represented by the President of the National Bank of Poland, acting as the Chairperson of the Commission for Banking Supervision (hereinafter referred to as the CBS),

- recognise the need for a mutual exchange of information,

and

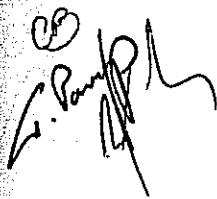
- express their readiness to create conditions for improving, to the extent defined herein and on a mutual basis, the supervision of banks which have cross-border establishments in the territories of the two countries.

The BI and the CBS (hereinafter referred to as the Authorities) set forth the following.

## **I General Provisions**

### **Article 1.** **Competent authorities**

- (1) In Poland, the Commission for Banking Supervision is a body in charge of supervision of banks, including foreign banks' branches and representative offices located within the jurisdiction of the Republic of Poland.
- (2) In Italy, the competent authority for banking supervision and the granting of licences and authorisations is the BI. The BI is the Italian central bank, is constituted in the form of public law institution, and is independent of the Italian government. According to the 1993 Banking Code, the BI is responsible for the supervision of banks, banking groups and non-bank financial intermediaries. In this responsibility the 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 the 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.





## **Article 2. Definitions**

For the purposes of this Memorandum:

- (1) 'bank' is a credit institution according to the Directive 2006/48/EC;
- (2) 'subsidiary' is a bank which meets the criteria stipulated in the Directive 2006/48/EC;
- (3) 'branch' is a legally-dependent unit of a bank pursuant to the Directive 2006/48/EC which has its registered office in the territory of one of the Authorities and is established in the territory of the other Authority;
- (4) 'cross-border establishment' is a subsidiary , operating in the territory of one of the Authorities, which is owned by a bank which has its registered office in the territory of the other Authority or a branch;
- (5) 'home country' is the country in which the bank's registered office is located;
- (6) 'host country' is the country in which a cross-border establishment is located.

## **II Exchange of Information**

### **Article 3. Professional Secrecy**

1. The Authorities acknowledge that compliance with the obligation of professional secrecy and confidentiality by all employees currently or previously employed who receive confidential information from the other Authority in the course of their activities is a necessary condition for successful cooperation between them.
2. The Authorities agree that any confidential information shared by virtue of these arrangements shall be used only for lawful supervisory purposes.
3. The Authorities will, to the extent permitted by law, maintain the confidentiality of all information received from each other by virtue of these arrangements and shall not disclose any such information other than as necessary to carry out their supervisory responsibilities without first obtaining the prior written consent of the other Authority and then only in accordance with the conditions (if any) attached by the Authority providing information. The materials provided pursuant to this Memorandum of Understanding and containing information covered by professional secrecy shall be marked solely with the words "Covered by professional secrecy".
4. Each Authority shall, if it receives any legally-enforceable demand for information transmitted by the other Authority or acquired in the course of an on-site examination in the other Authority's jurisdiction pursuant to which it is obliged by law to disclose such information (notwithstanding any other provision of this Memorandum of Understanding), promptly notify in writing the other Authority and will cooperate in seeking to preserve, as far as is legally possible, the confidentiality of such information.

**Article 4.**  
**Exchange of information on subsidiaries**

1. The Authorities declare their willingness to exchange information concerning the activities of subsidiaries in the following areas (as applicable):

- (a) process of authorisation for the establishment of a subsidiary and for the acquisition of qualifying holdings as defined in the relevant provisions of the Directive 2006/48/EC;
- (b) supervision of their current activities;
- (c) situations raising banking supervisory concerns.

2. On the basis of paragraph 1 of the present article, the following information in particular may be exchanged:

(a) In the authorisation process for the establishment of a subsidiary and for the acquisition of qualifying holdings in a local bank:

– information on the bank requesting the establishment of a subsidiary or the acquisition of qualifying holdings concerning:

- the extent and size of its operations,
- compliance with legal regulations, including prudential regulations,
- organisational structure and internal control system for ensuring the proper activity of the subsidiary,
- financial condition;

– information on governing bodies of the bank requesting the establishment of a subsidiary or the acquisition of qualifying holdings;

– information on fitness and propriety of the candidates for the governing bodies of the subsidiary;

(b) In the supervision of current activities:

– information concerning the condition and development of the respective banking sectors, prudential regulations and other requirements of banking supervision as well as information on significant changes thereof;

– a summary evaluation of the financial situation of the subsidiary and the bank which owns it;

– information on recommendations issued on the basis of the performed on-site examination of the subsidiary.

(c) In situations raising supervisory concerns:

– information on the subsidiary or the bank which owns it, which is suffering a net loss or is threatened with insolvency.

3. The Authorities shall provide each other with the information above as far as possible, immediately after the circumstances referred to in paragraph 2 c) occur.

### **III Cooperation in granting authorisations and in ongoing supervision of subsidiaries**

#### **Article 5. Authorisation to subsidiaries**

1. In the granting of an authorisation for the establishment of a subsidiary, the Authorities agree to the following:
  - (a) The host-country Authority shall immediately inform the home-country Authority on receiving an application for the authorisation;
  - (b) upon request by the host-country Authority, the home-country Authority shall transmit information facilitating the consideration of the aforementioned application, in particular the information referred to in Article 4, paragraph 2 (a).
2. The procedure described in the above paragraph shall be applied accordingly in the granting of an authorisation for acquiring qualifying holdings in a bank by a bank which has its registered office under the jurisdiction of the other Authority.

#### **Article 6. Ongoing supervision of subsidiaries**

1. Subsidiaries are supervised by the host Authority in accordance with the law of the host country. In addition, they are subject to the consolidated supervision of the home Authority.
2. The Authorities shall 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 a subsidiary in the other country.
3. The Authorities shall also notify each other on penalties imposed in administrative proceeding which they have imposed or of any other action which they have taken against a subsidiary as host country supervisor or against a parent credit institution as home country supervisor.
4. The Authorities will discuss any significant information on a credit institution having a subsidiary in the other country, which might be relevant to the other authority. Relevant matters are in particular failure to meet capital adequacy or other financial requirements, significant losses, rapid decline in profits or a deterioration in profitability, concerns arising from: compliance or control procedures, supervisory visits and on-site examinations, prudential interviews or communications by other regulatory bodies, late or inaccurate prudential returns.

5. Representatives of the CBS and of BI may require clarifications from the other party any time, as well as the carrying out of the meetings deemed necessary.
6. For any institution located in Poland and in Italy respectively, which are licensed in a third country and which apply for a licence with the other authority, the BI and the CBS will, as far as they are able to, discuss any significant information available to them which might be relevant to the other authority.

**IV Cooperation with respect to establishment of branches, free provision of services and exchange of information.**

**Article 7  
Ongoing supervision of branches**

1. The Authorities shall cooperate also by exchanging information with respect to the establishment of a branch and the provision of services without an establishment in the other country.
2. The procedures and the content of the notifications to be made to the host Authority are regulated by the relevant provisions of the Directive 2006/48/EC.
3. The Authorities shall perform supervision of branches according to the appropriate provisions of the Directive 2006/48/EC.
4. As far as they become aware, the authorities inform each other of the criminal conviction of a branch manager, with special reference to any sentence barring him/her from banking activities, and of other facts putting his/her fitness and propriety in doubt, irrespective of whether he/she has already taken up his/her post at the branch. In addition, the home-country supervisor discloses to the host-country supervisor without delay any piece of available information which might be useful in assessing the ability and professional skills of potential candidates (for management positions).
5. The Authorities shall provide each other with information on branches in which a situation has occurred that may lead to the insolvency of the head office.
6. The information above will be exchanged, as far as possible, immediately after the circumstances referred in paragraph 5 occur.

**V On-site examinations and audits**

**Article 8.  
On-site inspections over cross-border establishments**

1. The Authorities agree that cooperation is particularly useful in assisting each other in carrying out on-site examination of cross border establishments.

2. The BI is allowed to conduct on-site inspections of cross-border establishments of Italian banks in Poland and the CBS is allowed to conduct on-site inspections of cross-border establishments of Polish banks in Italy. The right to initiate such inspections lies with the home-country Authority and the host-country Authority may not impede or limit the scope of on-site examinations by the home country Authority.
3. The Authorities shall notify each other at least two months in advance of any inspection of a cross-border establishment, 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 to the extent reasonable and in a timely manner.
4. In the case of on-site examinations of cross-border establishments initiated by the host-country Authority, the host country Authority shall notify the home country Authority, usually two months in advance, of the inspection giving details of the purpose of the audit and its expected duration. The host country Authority may then invite the home country authority or auditors commissioned by the home country authority to participate in the joint examination. The host country Authority shall inform the home country Authority on the results of the inspections to the extent reasonable and in a timely manner. The host country Authority will provide the home country Authority with a summary report on the findings.

#### **Article 9.**

##### **On-site inspections over systemically relevant cross-border establishments**

1. With regard to the supervision of systemically relevant cross-border establishments, the host Authority informs the home Authority of its specific interest and supervisory concerns. The home Authority will discuss these concerns with the host Authority for the purpose of finding the best solution. The Authorities may agree on either ordinary or special measures to solve the supervisory problem, not excluding additional on-site verification of the information.
2. On a case-by-case basis and after due consideration, the home Authority may request the host Authority to accompany the home Authority during a targeted on-site examination of the parent institution of a cross-border establishment in the host country if and to the extent this examination covers a specific area directly related to the supervision of such cross-border establishment.
3. The provision of paragraph 2 above will apply when a new legislative provision is introduced in the Italian law so as to enable persons different from officials of the BI to participate, together with the latter, in such on-site examinations.

#### **VI Crisis situation**

##### **Article 10.**

1. The Authorities will inform each other without delay if they learn of an incipient crisis, any serious violation of banking laws and regulations, a decline in capital adequacy

under the minimum limit set by the authorities on a solo and consolidated basis, the carrying on of business in a way that impairs the interests of the depositors or endangers the safety and soundness of the banking system, or other information of a serious nature relating to any supervised institution that has cross-border establishments in the other country.

## VII. Final Provisions

### Article 11.

1. In order to enhance the quality of cooperation, the representatives of the BI and the CBS banking supervisors will convene periodically to discuss matters relating to prudential supervision of credit institutions established in both countries and on developments within their regulatory and supervisory systems.
2. The Authorities agree to advise each other on any major change in the domestic rules and regulations within their jurisdiction, in particular of those changes which have a significant bearing on the activities of cross-border establishments, on laws and regulations that concern the banking sector or the financial sector, and banking sector developments in Poland and in Italy.
3. To facilitate practical cooperation after this agreement enters into force, the CBS and BI shall exchange a written list of the two authorities' representatives to be contacted for the exchange of information. The list shall contain the following contact data: the first name and surname, position (function), e-mail address and telephone and fax numbers of the authorised persons. The CBS and BI shall inform each other of any modifications to the list of authorised persons without delay.
4. Cooperation and assistance in accordance with this Memorandum shall continue until the expiration of 30 days after one Authority gives written notice to the other Authority of its intention to discontinue such co-operation and assistance. If the CBS or the BI gives such notice, cooperation and assistance in accordance with this Memorandum shall continue with respect to all requests for assistance that were made before the effective date of notification until the requesting supervisory 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.
5. Any amendment to this Memorandum shall be made in writing only. Any such amendment to the Memorandum shall enter into force when signed by the Authorities.

### Article 12.

1. The Memorandum shall be provided in two originals in English .
2. The Authorities undertake to revise the present Memorandum in the light of future developments in national and EU legislation and of experience gained in the supervision of respective institutions.

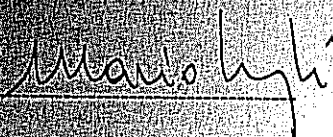
Article 13.

The Memorandum shall become effective on the day on which it is signed by both Authorities.

For the Banca d'Italia

The Governor

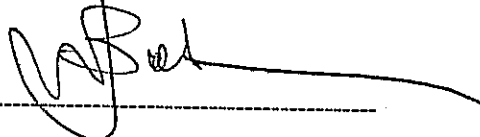
Prof. Mario Draghi



Rome, 10.7., 2006

For the Commission for Banking Supervision

The President of the National Bank of Poland  
acting as the Chairperson  
of the Commission for Banking Supervision  
Prof. Leszek Balcerowicz



Warsaw, 02.08., 2006