

November 3, 2015

**MEMORANDUM
OF
UNDERSTANDING**

CANADA

**Canada Deposit
Insurance Corporation**

UNITED KINGDOM

**Prudential Regulation
Authority
& Bank of England**

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**This Memorandum of Understanding (“MoU”) made as of the
3rd day of November, 2015,**

BETWEEN:

**CANADA DEPOSIT INSURANCE CORPORATION
 (“CDIC”)**

-and-

**PRUDENTIAL REGULATION AUTHORITY
 (“PRA”)**

-and-

**BANK OF ENGLAND
 (“Bank”)**

Recitals

- A. CDIC is a federal Crown corporation created by the Canadian parliament pursuant to the Canada Deposit Insurance Corporation Act, which grants CDIC certain authorities and obligations. CDIC insures savings in certain banks and financial institutions in Canada, for the benefit of depositors. CDIC is not a central bank, nor is it responsible for prudential supervision of deposit-taking institutions. CDIC works with the Department of Finance (Canada), Bank of Canada, the Office of the Superintendent of Financial Institutions (OSFI), Financial Consumer Agency of Canada and other relevant Canadian federal authorities, in Canada’s “financial safety net.” CDIC’s role is defined in terms of three statutory objects: to provide insurance against the loss of part or all of deposits; to promote and otherwise contribute to the stability of the financial system in Canada; and to pursue the two foregoing objects for the benefit of persons having deposits with member institutions and in such a manner as will minimize the exposure of CDIC to loss.

- B. The PRA is a subsidiary of the Bank of England and, together with the Financial Conduct Authority (FCA), forms the United Kingdom’s “twin peaks” financial services regulatory structure. The Prudential Regulation Authority (PRA) is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. In total the PRA regulates around 1,700 financial firms. The PRA’s role is defined in terms of two statutory objectives: to promote the safety and soundness of these firms and, specifically for insurers, to contribute to the securing of an appropriate degree of protection for policyholders. The PRA has a secondary objective of facilitating competition. It is anticipated that the responsibilities and function of the PRA may be assisted or assumed and performed by the Bank of England.

- C. The Bank of England (Bank) has an objective to protect and enhance the stability of the UK financial system. The Bank has particular responsibilities to supervise certain market infrastructure (recognized payment systems, securities settlement systems and central counterparties) and as the UK's resolution authority.
- D. Banking and insurance are international industries. Many UK and Canadian firms have operations overseas, and many firms domiciled overseas have subsidiaries or branches in the United Kingdom and/or Canada. Deposit-takers, investment and insurance firms are therefore supervised on a co-operative international basis, and the policy framework for this supervision is to a large extent agreed globally, including by the Basel Committee on Banking Supervision (BCBS), the International Association of Insurance Supervisors (IAIS) and the Financial Stability Board (FSB), to ensure that all jurisdictions uphold appropriate standards in their collective interest. Both the PRA and CDIC, therefore, participate actively in international supervisory fora and bilaterally with third country partners, playing a full and active role with its counterparts in supervising cross-border firms, and seeking to be an influential and persuasive participant in international policy debates. This MoU therefore seeks to facilitate this participation and co-operation.
- E. CDIC and the PRA, together with the Bank of England, wish to enter into this MoU to provide a formal basis for co-operation, including for the exchange of information and investigative assistance. CDIC, the PRA and the Bank believe such co-operation will enable them to perform their functions more effectively.

Operative Part

Interpretation

1. In this MoU, unless the context requires otherwise:

"administering" an applicable law, regulation or requirement includes enforcing the same;

"applicable laws, regulations and requirements" means any law, regulation or requirement applicable in Canada and/or in the United Kingdom, and where the context permits includes:

- (a) relevant European legislation that has not yet been transposed into UK domestic law;
- (b) any law, regulation or requirement applicable in Canada or the United Kingdom; and
- (c) any rule, direction, requirement, guidance or policy made or given by or to be taken into account by an Authority;

"Authority" means the Canada Deposit Insurance Corporation, or the PRA/Bank of England;

"PRA" means the Prudential Regulation Authority (or its successor(s));

"Bank" means the Bank of England;

“CDIC” means the Canada Deposit Insurance Corporation;

“receiving Authority” means the Authority that makes a request pursuant to this MoU and has received the information from the “disclosing authority”;

“requesting Authority” means the Authority that makes a request pursuant to this MoU;

“disclosing Authority” means the Authority that receives a request pursuant to this MoU;

“emergency/crisis situation” means where an Authority (or the Authorities) is seeking urgently to manage a circumstance where a firm is or can reasonably be expected to be financially impaired, such that it will or is likely to affect adversely the operations of the firm and potentially result in damage to financial stability and the wider financial system;

“onward receiving authority” means:

- a. in respect of the United Kingdom authorities: the PRA, the Bank of England, HM Treasury, the Financial Reporting Council, Financial Services Compensation Scheme and the Financial Conduct Authority.
- b. In respect of the Canadian authorities: CDIC, the Office of the Superintendent of Financial Institutions, the Bank of Canada, the Canadian Department of Finance, and the Financial Consumer Agency of Canada.

“permitted onward recipient” means an agency or authority responsible for prosecuting, regulating or enforcing applicable laws, regulations and requirements falling within the areas of responsibility of the Authorities;

“person” means a natural person, legal entity, partnership or unincorporated association;

“resolution” means action taken by an Authority to address an emergency/crisis situation, the impact of which, if left unattended, could threaten financial stability and the financial system. Such actions might typically include (but are not necessarily limited to) facilitating the orderly failure of a firm; legal and judicial action; administration, receivership, liquidation or the facilitation of the sale or merger of a troubled firm/financial institution.

2. Apart from where the context requires otherwise, both the PRA and Bank of England are, for the purposes of this MoU, treated as one Authority. When the PRA becomes part of the Bank, references in this MoU to the “PRA” will mean the Bank acting through or under its Prudential Regulation Committee and obligations incurred by the PRA pursuant to this MoU shall survive and become the obligations of the Bank.

Purpose and effect of this MoU

3. The purpose of this MoU is to establish a formal basis for co-operation, including the exchange of confidential information and investigative assistance, to facilitate timely

and effective supervision and resolution, to identify risks to the financial system and, where necessary, to address emergency/crisis situations, especially in instances where emergency/crisis situations involve firms with cross-border operations in Canada or the United Kingdom.

4. This MoU does not modify or supersede any laws or regulatory requirements in force in, or applying to, Canada or the United Kingdom. This MoU sets forth a statement of intent and accordingly does not create for either Authority any legally enforceable rights or obligations. This MoU does not affect any arrangements under other MoUs including an MoU between the Bank and CDIC effective September 14, 2015.
5. The Authorities acknowledge that they may provide confidential information under this MoU only to the extent that they are not prevented from doing so under applicable laws, regulations and requirements.

Treatment of confidential information received

6. Except as otherwise permitted by this MoU, the receiving Authority may use confidential information provided under this MoU only within its respective organisation and only in connection with its statutory objects with regard to resolution of financial institutions' activities.
7. The PRA and the Bank may, recognising their shared supervisory and resolution objectives, exchange confidential information provided under this MoU, without the need to notify or consult CDIC.

Onward sharing of confidential information

8. Where necessary in the furtherance of an Authority's regulatory functions and objectives (including in emergency/crisis situations) and where the applicable law requires or allows, an Authority may pass confidential information provided under this MoU to another organisation that carries out similar regulatory and/or supervisory functions, applying the approach set out in this section.
9. The receiving Authority will comply with any reasonable restrictions on the use of confidential information provided under this MoU or that are otherwise set by the disclosing Authority as part of the basis on which the information is provided.
10. The receiving Authority will consult with the disclosing Authority in advance if it proposes to pass on confidential information. Before a receiving Authority discloses any confidential information received from a disclosing Authority to a third party, the receiving Authority will describe the purpose and scope of the disclosure to, and obtain the prior written consent from, the disclosing Authority, which will not be unreasonably withheld. The receiving Authority will ensure that, prior to disclosure of any confidential information, the third party is subject to similar confidentiality provisions as set out in this MoU. If the receiving Authority is required by law to disclose to a third party confidential information provided under this MoU, it will notify the disclosing Authority of the situation in advance of disclosure, unless this is not practicable for reasons of urgency, in which case it will notify as soon as reasonably practicable afterwards. The receiving Authority will use all reasonable

legal means to resist any requirement to disclose confidential information provided under this MoU.

11. Notwithstanding paragraphs 8 to 10 of this MoU, an Authority may disclose information it receives under this MoU to an onward receiving authority, provided that:
- (a) Such disclosure is made in accordance with the laws, regulations, and requirements of the Authority making the disclosure;
 - (b) The onward receiving authority maintains the confidentiality of any non-public information it receives;
 - (c) The confidential information transfer shall be subject to assurances that the confidential information will not be further disclosed by the onward receiving authority except as authorized by the Authority making the disclosure and after it obtains the written consent of the Authority which supplied the information; and
 - (d) Such disclosure is for the purposes of the statutory objectives of the Authority making the disclosure and/or the onward receiving authority.

Except in an emergency/crisis situation, the Authority seeking to make a disclosure to an onward receiving authority will notify the Authority that supplied the confidential information before making the disclosure and the Authority that supplied such information will, to the extent permitted by law, cooperate with the Authority making the disclosure to enable it to meet its legal obligations. In an emergency/crisis situation the receiving Authority may notify (rather than to consult) the disclosing Authority in advance that such confidential information is to be passed to another national regulatory body of the receiving Authority.

Rights of persons preserved

12. Any person providing testimony, information or documents as a result of a request made under this MoU will be entitled to all the rights and protections of the laws of the jurisdiction of the disclosing Authority. Where assertions are made regarding other rights and privileges arising exclusively pursuant to the laws of the jurisdiction of the requesting Authority, the Authorities will consult to determine the most appropriate way to proceed.

Notification practice and procedure

13. Each Authority will use their best endeavours to notify the other of any material changes in their respective legislative provisions relating to privacy and protection of information. An Authority will use its best endeavours to notify the other if it intends to take a firm into resolution. To the extent permitted by applicable laws, regulations and requirements, each Authority will use reasonable efforts as far as practicable to provide the other Authority on a timely basis with any information that is in its possession or discovered which:

- (a) gives rise to a suspicion of a breach of the applicable laws, regulations or requirements of the other Authority; or
 - (b) will be likely to assist in administering laws, regulations of requirements of the other Authority, if provided to the Authority.
14. Where the specific conduct set out in a request for assistance may constitute a breach of a law, regulation or requirement in both the territory of the requesting and the disclosing Authorities, the relevant Authorities will consult to determine the most appropriate means for each Authority to provide assistance.
15. The PRA (as the host authority) will notify CDIC (home) of plans to examine or inspect any branch or subsidiary of a Canadian banking organisation located in the United Kingdom and CDIC will notify the PRA of plans to examine or inspect any branch or subsidiary of a UK banking organisation located in Canada. The host Authority may inform the home Authority of any subject matter in which it has a particular concern or interest.
16. The PRA (as the home authority) will notify CDIC (host) of plans to examine or inspect any branch or subsidiary of a UK banking organisation located in Canada, and CDIC (as the home authority) will notify the PRA (host) of plans to examine or inspect any branch or subsidiary of a Canadian banking organisation located in the United Kingdom.

Recovery & Resolution planning

17. This MoU seeks to facilitate rapid information exchange and co-operation & liaison, to address information sharing, especially in crisis / emergency situations between authorities for recovery and resolution planning purposes (both bilaterally and through any CMG to which both Authorities are members and at least one Authority is the home Authority). It aims also to offer mutual support in the supervision of branches; in particular, in relation to home state supervision of recovery and resolution plans in respect of the activities of specific firms.
18. To the extent that any 'Co-operation Agreement' (COAG) is established between the Authorities¹ at a future date, this will aim, subject to the agreement of the Authorities, to set out how to bring about contingency planning and, as necessary, an orderly resolution of a crisis involving a specific institution, minimising the impact of any failure. Where appropriate, the detailed 'Co-operation Agreement' will take account of EU regulatory bodies and their interactions with the PRA on recovery & resolution - and globally, through the approach that has been developed by the FSB ("Information sharing for Resolution Purposes").
19. To the extent practicable and as appropriate in the particular circumstances, each Authority will endeavour to inform the other Authority in advance of regulatory changes relating to resolution measures, especially any which will or may have a significant, material impact on the operations or activities of a firm in the other

¹ For the PRA, any 'Co-operation Agreement' will be developed with the Resolution Directorate of the Bank of England, in consultation with the resolution authority of the counter-party to this Memorandum of Understanding.

jurisdiction. This will, however, be without prejudice to any arrangements relating to specific prudential issues.

Enforcement

20. The PRA and the Bank will consider taking enforcement action against persons (including individuals) as they consider appropriate to support the exercise of their supervisory judgement. The intention in deploying enforcement powers may include: reinforcing the PRA's and Bank's objectives and priorities; changing, and promoting high standards of, regulatory behaviour; the need to send a clear signal to a person and to the regulated community more widely, about the circumstances in which the PRA considers a person's behaviour to be unacceptable; and deterring future misconduct.

Requests for Assistance

21. If a request for assistance is made, each Authority will use reasonable efforts to provide assistance to the other, subject to its laws and overall policy. Assistance may include for example:
- (a) providing relevant confidential information in the possession of the disclosing Authority;
 - (b) confirming or verifying confidential information provided to it for that purpose by the requesting Authority;
 - (c) exchanging information on or discussing issues of mutual interest; and
 - (d) where relevant, obtaining specified confidential information and documents from persons.
22. If a request for assistance by the PRA or the Bank, as described in this MoU, relates to actual or possible enforcement action, the following further details will be contained in the request:
- (a) a description of the conduct or suspected conduct which gives rise to the request;
 - (b) details of the applicable law, regulation or requirement to the administration of which the request is relevant;
 - (c) the link between the specified law, regulation or requirement to the administration of which the request is relevant; and
 - (d) the relevance of the requested assistance to the specified rule or law.

Procedure for Requests

23. Requests for the provision of information or other assistance, including in an emergency or crisis situation will be made in writing (including by email), or made orally and, unless otherwise agreed, confirmed in writing within ten business days. To facilitate assistance, the requesting Authority should specify in any written request:
- (a) the information or other assistance requested (identity of persons, specific questions to be asked etc.);

- (b) if information is provided by the requesting Authority for confirmation or verification, the information and the kind of confirmation or verification sought;
- (c) the purpose for which the information or other assistance is sought;
- (d) the desired time within which the information sought should be provided;
- (e) to whom, if anyone, onward disclosure of information provided to the requesting Authority is likely to be necessary and, in relation to onward disclosure to a person who is not a permitted onward recipient, the purpose such disclosure would serve; and
- (f) any other matters specified by the disclosing Authority and by the applicable laws, regulations and requirements in relation to the disclosing Authority.

Assessing Requests

- 24. Each request for assistance will be assessed on a case-by-case basis by the disclosing Authority, to determine whether assistance can be provided (either in part or in whole) under the terms of this MoU. In any case where the request cannot be fulfilled in part or whole, the disclosing Authority will consider whether there may be other assistance that can be given by itself or by any other Authority in its jurisdiction and, wherever possible, will endeavour to provide this.
- 25. In an emergency/crisis situation, the Authorities will each endeavour to notify the other of the nature of the situation and communicate information to the other as would be appropriate pertaining to the particular circumstances, taking into account all relevant factors, including the status of efforts to address the emergency/crisis situation in question. Wherever and to the extent possible, the Authorities will cooperate in seeking potential solutions, especially in instances where cross-border entities (that have their head offices or a chief place of business located in either Authorities' jurisdictions) are adversely affected by the situation.
- 26. In deciding whether and to what extent to fulfil a request, the disclosing Authority may take into account:
 - (a) whether the request conforms with this MoU;
 - (b) whether the request involves the administration of a law, regulation or requirement which has no close parallel in the jurisdiction of the disclosing Authority;
 - (c) whether the provision of assistance would be so burdensome as to disrupt the proper performance of the disclosing Authority's functions;
 - (d) whether it would be otherwise contrary to the public interest or the essential national interest of the disclosing Authority's jurisdiction to give the assistance sought;
 - (e) any other matters specified by the laws, regulations and requirements of the disclosing Authority's jurisdiction (in particular those relating to

confidentiality and professional secrecy, data protection and privacy, and procedural fairness);

- (f) the reason for the request; and
 - (g) whether complying with the request may otherwise be prejudicial to the performance by the disclosing Authority of its functions.
27. The Authorities recognise that assistance may be denied in whole or in part for any of the reasons mentioned in paragraph 28 or otherwise in the discretion of the disclosing Authority.

Provision of Unsolicited Information

28. The Authorities may, to the extent permitted by law, provide confidential information, or arrange for confidential information to be provided, on a voluntary basis, even though no request has been made.

Contact Points

29. The Authorities will provide a list of contact points to which information or requests for information or assistance under this MoU should be directed.

Commencement

30. This MoU will take effect when both Authorities have signed this document. It may only be amended by agreement in writing.

Publication of this MoU

31. The parties agree to this MoU being made publicly available.

Review of this MoU and of supervisory developments

32. The Authorities will keep the operation of this MoU under review and will consult when necessary with a view to improving its operation and resolving any matters, where they arise, that hinder its operation. The parties will endeavour to meet regularly to discuss general supervisory developments.


Termination of MoU

33. This MoU will continue to have effect until terminated by either Authority giving 30 days' advance written notice to the other Authority. After termination, paragraph 6, 7, 8, 9, 10 and 11 will continue to apply to any confidential information provided under this MoU prior to termination.

- 34. CDIC and the PRA will consult, to determine any other matters not specified in this MoU, so as to be consistent with applicable laws, regulations and requirements.

Executed by the Parties:

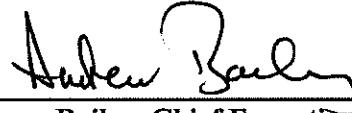
For Canada Deposit Insurance Corporation



**Michael Mercer, Senior Vice-President,
Complex Resolution Division
Canada Deposit Insurance Corporation**

Date: *NOVEMBER 3RD 2015.*

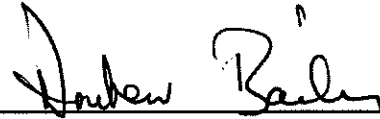
For the Prudential Regulation Authority



**Andrew Bailey, Chief Executive Officer of
the Prudential Regulation Authority and
Deputy Governor, Prudential Regulation,
Bank of England**

Date: *11TH November 2015*

For the Bank of England



**Andrew Bailey, Chief Executive Officer of the
Prudential Regulation Authority and Deputy
Governor, Prudential Regulation, Bank of
England**

Date: *11TH November 2015*