

21 April 2017

**MEMORANDUM
OF
UNDERSTANDING**

TURKEY

**Banking Regulation and
Supervision Agency**

UNITED KINGDOM

Bank of England

Contents

Recitals	2
Operative Part	3
Interpretation	3
Purpose and effect of this MoU.....	Error! Bookmark not defined.
Treatment of Confidential Information received.....	5
Onward sharing of Confidential Information	6
Rights of Persons preserved	7
Notification practice and procedure	7
Recovery and Resolution planning.....	9
Enforcement.....	9
Requests for assistance	8
Procedure for requests	8
Assessing requests	9
On –Site Visits.....	12
Provision of unsolicited information	11
Contact Points	11
Commencement	11
Publication of this MoU	11
Review of this MoU and of supervisory developments	13
Termination of MoU.....	13

Appendix 1: Further Procedures for Enforcement Matters

Appendix 2: Contacts

.....	13
-------	----

This Memorandum of Understanding (“MoU”) made as of the 18th day of April, 2017,

BETWEEN:

**BANKING REGULATION AND SUPERVISION AGENCY
 (“BRSA”)**

-and-

**BANK OF ENGLAND
 (“Bank”)**

Recitals

- A. The BRSA is the main authority in charge of prudential regulation and supervision of the Turkish financial system. Established as a public legal entity with administrative and financial autonomy, the BRSA supervises and regulates banks, representative offices of foreign banks, financial leasing companies, factoring companies, financing companies, financial holding companies, asset management companies, payment institutions and electronic money institutions. The BRSA regulates and supervises a number of 230 financial institutions operating in Turkish financial system. The BRSA’s mission is to ensure confidence and stability in financial markets, to create an environment that will improve competitiveness of the financial system, to enable effective operating of loan system, to protect the rights and benefits of the depositors, to take necessary measures for enabling institutions subject to supervision to operate in a sound, secure and well-organized manner in market discipline.
- B. The Bank of England, together with the Financial Conduct Authority (FCA), forms the United Kingdom’s “twin peaks” financial services regulatory structure. The Bank has an objective to protect and enhance the stability of the UK financial system. The Bank has particular responsibilities including to supervise certain market infrastructure (including recognised payment systems, securities settlement systems and central counterparties) and as the UK’s resolution authority.
- C. The Prudential Regulation Authority (PRA), which is both the prudential regulator and supervisory arm of the Bank (and is overseen by the Bank’s Prudential Regulation Committee), 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.

- D. Banking is an international industry. Many UK and Turkish firms have operations overseas, and many firms domiciled overseas have subsidiaries or branches in the United Kingdom and/or Turkey. Deposit-takers, investment and insurance firms are 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) and the Financial Stability Board (FSB), to ensure that all jurisdictions uphold appropriate standards in their collective interest. Both the Bank and BRSA participate actively in international supervisory fora and bilaterally with third country partners. Both play a full and active role in supervising Cross-Border Firms, and seeking to be influential and persuasive participants in international policy debates. This MoU seeks to facilitate this participation and co-operation.
- E. The BRSA and the Bank wish to enter into this MoU to provide a formal basis for co-operation, including for the exchange of information and the provision of investigative assistance. BRSA and the Bank believe such co-operation will enable them to perform their functions more effectively.
- F. The BRSA and the Bank express, through this MoU, their willingness to cooperate with each other on the basis of mutual trust and understanding in connection with the supervision and oversight of financial institutions.

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 Turkey 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; and
- (b) any rule, direction, requirement, guidance or policy made or given by or to be taken into account by an Authority;

and **“Applicable Law, Regulation or Requirement”** means any of these;

“Authorities” means the BRSA and the Bank; and **“Authority”** means either one of these;

“Bank” means the Bank of England;

“BRSA” means the Banking Regulation and Supervision Agency (in Turkish **“Bankacılık Düzenleme ve Denetleme Kurumu”**);

“Confidential Information” means information that –

- (a) relates to the business or other affairs of any Person which is received by the relevant Authority for the purposes of, or in the discharge of, any of its statutory functions; and
- (b) is not prevented from being Confidential Information because:
 - i. it has been made available to the public by virtue of being disclosed in any circumstances in which, or for any purposes for which, disclosure is not precluded by the Applicable Laws, Regulations or Requirements of the Disclosing Authority; or
 - ii. it is in the form of a summary or collection of information so framed that it is not possible to ascertain from it information relating to any particular person.

“Cross-Border Firm” means a firm with cross-border operations in the UK and Turkey, which are relevant to the Authorities’ statutory objectives;

“Disclosing Authority” means the Authority that discloses, or that receives a request for disclosure of, Confidential Information 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 operation of the firm and potentially result in damage to financial stability and the wider financial system;

“MoU” means this memorandum of understanding;

“On-Site visit” means any routine or regulatory cross border inspection or examination of the books, records or premises of a UK Cross-Border Firm in Turkey by the PRA or a Turkish Cross-Border Firm in the UK by the BRSA;

“Onward Receiving Authority” means:

- a. in respect of the United Kingdom authorities: HM Treasury, the Financial Reporting Council, the Takeover Panel, the Financial Services Compensation Scheme and the Financial Conduct Authority.
- b. In respect of the Turkish authorities: the BRSA, the Savings Deposit Insurance Fund, the Central Bank of the Republic of Turkey, the Undersecretariat of Treasury, the Capital Markets Board and the Financial Crime Investigation Board;

“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;

“PRA” means the Bank acting in its capacity as the Prudential Regulation Authority (or its successor(s)), which is both the prudential regulator and supervisory arm of the Bank;

“**Receiving Authority**” means the Authority that has received the Confidential Information from the Disclosing Authority pursuant to this MoU; and

“**Requesting Authority**” means the Authority that makes a request pursuant to this MoU.

Purpose and effect of this MoU

2. The purpose of this MoU is to establish a formal basis for co-operation, including the exchange of Confidential Information and, where appropriate, through enforcement-related assistance, in connection with the supervision and oversight of Cross-Border Firms in Turkey and the UK, in a manner consistent with, and permitted by the Applicable Laws, Regulations and Requirements that govern the Authorities, in order to enhance the protection of investors, depositors and clients, promote the competence and integrity of Cross-Border Firms and identify risks to the financial system.
3. The Authorities anticipate that cooperation will be primarily achieved through ongoing, informal, oral consultations, supplemented by more in-depth, *ad hoc* formal cooperation. The provisions of this MoU are intended to support such informal and oral communication as well as to facilitate the written exchange of Confidential Information where necessary and regular/periodic liaison to discuss, *inter alia*, issues of common interest concerning particular cross-border regulated entities.
4. This MoU is not a binding international agreement. This MoU does not modify or supersede any laws or regulatory requirements in force in, or applying to, Turkey 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.
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.
6. This MoU does not limit an Authority to taking solely those measures described herein in fulfilment of its functions. In particular, this MoU does not affect any right of an Authority to communicate with or to obtain information or documents from any Person subject to its jurisdiction that is located in the jurisdiction of the other Authority. However, an Authority should communicate with the other Authority prior to carrying out any On-Site Visit in the jurisdiction of the other Authority in accordance with the procedure set out in paragraphs 30- 36 of this MoU.

Treatment of Confidential Information received

7. 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 objectives with regard to the supervision of the activities of the firms each Authority regulates.

8. 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 Confidential Information is provided.

Onward sharing of Confidential Information

9. Where necessary in the furtherance of an Authority's regulatory functions and objectives (including in Emergency/Crisis Situations) and where the Applicable Laws, Regulations and Requirements allow an Authority may pass Confidential Information provided under this MoU to a third party, subject to paragraph 10.
10. The Receiving Authority will consult with the Disclosing Authority in advance if it proposes to pass on Confidential Information to a third party. 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.
11. 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.
12. Notwithstanding paragraphs 9 to 11 of this MoU, and subject to the requirements in paragraph 13, an Authority may disclose Confidential Information it receives under this MoU to an Onward Receiving Authority, provided that:
 - (a) Such disclosure is made in accordance with the Applicable Laws, Regulations and Requirements of the Disclosing Authority;
 - (b) The Onward Receiving Authority maintains the confidentiality of any Confidential 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 authorised by the Receiving Authority and after it obtains the written consent of the Disclosing Authority; and
 - (d) Such disclosure is for the purposes of the statutory objectives of the Receiving Authority and/or the Onward Receiving Authority.
13. To disclose under paragraph 12, except in an Emergency/Crisis Situation, the Receiving Authority seeking to make a disclosure to an Onward Receiving Authority will consult the Disclosing Authority before passing on the Confidential Information, and the Disclosing Authority will, to the extent permitted by law cooperate with the Receiving Authority to enable it to meet its legal obligations. In an Emergency/Crisis Situation the Receiving Authority may notify (rather than consult) the Disclosing Authority in advance that such Confidential Information is to be passed to an Onward Receiving Authority.

Rights of Persons preserved

14. 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

15. The BRSA and the Bank will use their best endeavours 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 Firms, including any serious financial and operational difficulties experienced by Cross-Border Firms.
16. 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 Confidential Information. 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 the Applicable Laws, Regulations or Requirements of the other Authority, if provided to the Authority.
17. 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 Firms (that have their head offices or a chief place of business located in either Authorities' jurisdictions) are adversely affected by the situation.

Recovery & Resolution planning

18. The Authorities consider that recovery and resolution planning are fundamental to the day-to-day supervision of firms. They acknowledge that the BRSA is not its country's resolution authority. However, each Authority should seek to cooperate and share information with the other to ensure that firms under their aegis have in place suitable recovery and resolution plans, to ensure that each firm manages the risk of significant deterioration of its financial situations and plans measures to restore it, for example by testing plans against a range of stress scenarios, and to facilitate orderly resolution should the firm face an Emergency/Crisis Situation.

19. Should a firm that is supervised by the Authorities experience an Emergency/Crisis Situation, responsibility for overseeing and managing the execution of the resolution plan will be the responsibility of each country's designated resolution authority; in the case of the United Kingdom, the Bank, and for Turkey, the Savings Deposit Insurance Fund.

Enforcement

20. The Authorities agree to provide each other with the fullest possible enforcement assistance. The Authorities 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 Authorities' 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 Authorities consider a person's behaviour to be unacceptable; and deterring future misconduct.
21. The Authorities recognise that there may be circumstances in which one or the other of them wishes to take enforcement action in a situation where the other Authority has a regulatory interest. Appendix 1 sets out what the Authorities have agreed with respect to such cases, and in relation to requests for assistance in enforcement matters. Such requests (as set out in Appendix 1) will however be considered and decided in terms of domestic Applicable Laws, Regulations and Requirements.

Requests for assistance

22. If a request for assistance is made, each Authority will use reasonable efforts to provide assistance to the other, subject to its Applicable Laws, Regulations and Requirements 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.
23. Requested information normally would not include customer personal data and account information covered by banking secrecy obligations, unless of particular relevance subject to Applicable Laws, Regulations and Requirements.

Procedure for requests

24. Requests for the provision of information, including Confidential Information or other assistance, including in an Emergency/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) if the request for assistance relates to actual or possible enforcement action, the further matters set out in clause 1 of Appendix 1;
- (d) the purpose for which the information or other assistance is sought;
- (e) the desired time within which the information sought should be provided;
- (f) to whom, if anyone, onward disclosure of Confidential 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
- (g) any other matters specified by the Disclosing Authority and by the Applicable Laws, Regulations and Requirements in relation to the Disclosing Authority.

Assessing requests

- 25. 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.
- 26. The Disclosing Authority will endeavour, if so requested, to explain or elaborate on the contents of public and non-public documents to the Requesting Authority with a view to assisting the Requesting Authority to perform its supervisory functions as outlined in recitals A, B and **Error! Reference source not found.** of this MoU and assist the Requesting Authority to obtain information from a Cross-Border Firm.
- 27. 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 an Applicable 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 Applicable 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.
28. Where the specific conduct set out in a request for assistance may constitute a breach of an Applicable Law, Regulation or Requirement in both the territory of the Requesting and the Disclosing Authority, the relevant Authorities will consult to determine the most appropriate means for each Authority to provide assistance.
29. The Authorities recognise that assistance may be denied in whole or in part for any of the reasons mentioned in paragraph 27 or otherwise in the discretion of the Disclosing Authority. In such cases the Authorities will endeavour to communicate the reasons for the denial without undue delay.

On-Site Visits

30. The PRA (as the host authority) will notify the BRSA (home authority) of plans to examine or inspect any Turkish Cross-Border Firm located in the United Kingdom and the BRSA (as the host authority) will notify the PRA (home authority) of plans to examine or inspect any UK Cross-Border Firm located in Turkey. The host Authority may inform the home Authority of any subject matter in which it has a particular concern or interest.
31. An Authority should communicate with the other Authority prior to carrying out any On-Site Visits. Authorities should also discuss and reach a written understanding on the terms regarding On-Site Visits, taking into full account each other's jurisdiction, legal framework and statutory obligations, in particular in determining the respective roles and responsibilities of the Authorities. Generally, the Authorities will act in accordance with the following procedure before conducting an On-Site Visit.
32. When establishing the scope of any proposed On-Site Visit, the Authority seeking to conduct the On-Site Visit will give due and full consideration to the supervisory activities of the other Authority and any information that was made available or is capable of being made available by that Authority.
33. The Authorities will consult with a view to reaching an understanding on the intended timeframe for and scope of any On-Site Visit. The Authority seeking to conduct an On-Site Visit will provide advance notice to the local Authority of its intent to conduct an On-Site Visit, by itself or by a third party commissioned by it. The Authorities will consult, and, where desired, may conduct concurrent visits with a view to possibly leveraging resources in the oversight of the Cross-Border Firm, in which case these will be carried out under the control of the Authority in whose jurisdiction the visit takes place.
34. The local Authority will endeavour to share with the Authority conducting the On-Site Visit any relevant examination reports or compliance reviews it may have undertaken respecting the Cross-Border Firm.
35. The Authorities will communicate with each other, including meetings as appropriate during the On-Site Visit. After concluding an On-Site Visit, the Authority conducting the On-Site Visit will communicate any major issues to the

other Authority that may impact negatively upon the regulatory status of the Cross-Border Firm.

Provision of unsolicited information

36. The Authorities may, to the extent permitted by law, provide Confidential Information, or arrange for information, including Confidential Information, to be provided, on a voluntary basis, even though no request has been made where that information will assist the other Authority in the performance of its functions.

Contact Points

37. The Authorities will provide a list of contact points, as in Appendix 2, to which information or requests for information or assistance under this MoU should be directed and will update the list on a regular basis.

Commencement

38. 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

39. The parties agree to this MoU being made publicly available, save for Appendix 2: Contacts, which will be confidential.

Review of this MoU and of supervisory developments

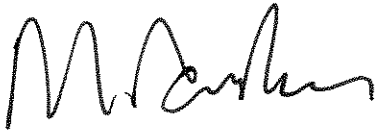
40. The Authorities will keep the operation of this MoU under review and will consult when necessary with a view to improving its operation and resolving any matters, where they arise, that hinder its operation. The parties will endeavour to meet regularly to discuss general supervisory developments.

Termination of MoU

41. This MoU will continue to have effect until terminated by either Authority giving 30 days' advance written notice to the other Authority. After termination, paragraphs 7 to 14 will continue to apply to any Confidential Information provided under this MoU prior to termination. However, the existing requests for assistance made prior to such notification shall be honoured by the Authorities, if possible, under the conditions set forth under this MoU.
42. The BRSA and the Bank 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:

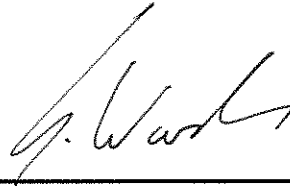
**For Banking Regulation and
Supervision Agency**



**Mehmet Ali Akben, Chairman of the
Banking Regulation and Supervision
Agency**

Date: 22.05.2017

For the Bank of England



**Sam Woods, Deputy Governor, Prudential
Regulation, Bank of England and Chief
Executive Officer of the Prudential
Regulation Authority**

Date: 26/4/17

Appendix 1: Further Procedures for Enforcement Matters

Further details to be contained in requests for assistance

1. If a request for assistance 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 Applicable Law, Regulation or Requirement and the regulatory functions of the Requesting Authority;
 - (d) the relevance of the requested assistance to the specified Applicable Law, Regulation or Requirement; and
 - (e) whether it is desired that, to the extent permitted by the Applicable Laws, Regulations and Requirements applying to the Disclosing Authority, any Person from the country of the Requesting Authority should be present during interviews which form part of an investigation, and whether it is desired that such Persons should be permitted to participate in the questioning (as to which see clause 3 below).

Further ground for denial of request

2. If a request for assistance, as described in this MoU, relates to actual or possible enforcement action, the following further matter may be taken into account by the Disclosing Authority in determining whether to fulfil the request in whole or in part:
 - whether the request would lead to the prosecution of, or the taking of disciplinary or other enforcement action against, a Person who in the opinion of the Disclosing Authority has already been appropriately dealt with in relation to the alleged breach, in respect of the subject matter of the request.

Requests to Sit In

3. If, following a request from a Requesting Authority, the Disclosing Authority conducts an interview of any Person, the Disclosing Authority may permit a representative of the Requesting Authority to attend such an interview and to ask questions. Such requests will be in accordance with the Applicable Laws, Regulations and Requirements of the Disclosing Authority. Requests for such assistance should conform to published guidance for the making of such requests issued by the Disclosing Authority.

Joint Investigations

4. The Authorities acknowledge that, subject to secrecy and confidentiality issues, an investigation, where it concerns suspected breaches of the law of both jurisdictions, may be conducted more effectively by the establishment of a joint investigation involving members from both Authorities.
5. The Authority suggesting the joint investigation will advise the other Authority of the background to the request for a joint investigation, and will liaise with the other Authority to determine the likely objectives of the joint investigation, the expected resources required and the approximate duration of the proposed joint investigation. Each Authority will advise the other as soon as possible as to whether it will agree to such an investigation.
6. If the Authorities agree to take part in a joint investigation, an agreed initial action plan will be prepared setting out, among other things, the objectives, expected duration, funding, publicity and accountability arrangements, management of the joint investigation, and allocation of responsibilities.
7. Suggestions to the BRSA for a joint investigation should be made, through Head of Foreign Relations Department. Suggestions to the PRA should be made to the Head of the PRA Regulatory Action Division within the Prudential Legal Function in the PRA.