



FINANCIAL SERVICES AGENCY
GOVERNMENT OF JAPAN
3-2-1 Kasumigaseki Chiyoda-ku Tokyo 100-8967 Japan

February 12, 2017

Mr. Abbas Kamarei
Director General
Supervision of Banks & Credit Institutions
Mr. Abdolmahdi Arjmandnejad
Director General
Regulation, Licensing & AML
Central Bank of the Islamic Republic of Iran
Mirdamad Blvd., NO.198, Tehran, Islamic Republic of Iran
P.O.Box: 15496-33111

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Subject: Exchange of Letters on co-operation in the area of banking supervision between the Financial Services Agency of Japan and the Central Bank of the Islamic Republic of Iran

We recognize that the Financial Services Agency of Japan (JFSA) and the Central Bank of the Islamic Republic of Iran (CBI), hereinafter referred to as "the Authorities", express their mutual interest and willingness in promoting bilateral ties in banking supervision and establishing a common framework to share supervisory information and banking regulation in order to facilitate cooperation for effective consolidated supervision (including supervision of cross-border establishments) and performance of their respective duties for the safe and sound functioning of banking organizations in their countries.

In this context, this Letter confirms the interest of the JFSA in enhancing co-operation with the CBI in a mutually beneficial manner, in accordance with respective laws and regulations. It is understood that this Letter is a statement of intent of the JFSA and does not create any legally binding obligations upon the Authorities. Nothing in this Letter will affect the competence of the JFSA or the CBI under their respective national laws.

Definitions

1. For the purposes of this Letter, the following definitions will apply:

- a. Authority:
“Authority” means the Financial Services Agency of Japan or Central Bank of the Islamic Republic of Iran;
- b. Banking organization:
In Japan, “banking organisation” means an institution licensed by the Prime Minister pursuant to the Banking Act (Act No. 59 of June 1, 1981).
For the Islamic Republic of Iran – A legal entity which carries on banking business and whose activities are subject to licensing and banking supervision under the legislation and regulation of the Islamic Republic of Iran;
- c. A cross-border establishment:
A branch, subsidiary, joint venture, representative office, or any other legal entity within the Authorities’ jurisdiction which, by common consent, gives rise to the need for consolidated supervision;
- d. Branch:
The organizational unit of a parent entity incorporated in the home country which has been granted a license in the host country;
- e. Subsidiary:
A legal entity incorporated as a bank in the host country which is controlled by a parent entity incorporated in the home country;
- f. Joint-Venture:
Participation of a banking organization from the home country in an undertaking of the host country, subject to the legislation of the Authorities’ jurisdiction;
- g. Representative office:
An office through which the interests of a bank are promoted or assisted but at which no banking business is carried on;
- h. Parent entity:
A legal entity registered in the home country which has been granted a banking license (an authorization) pursuant to the Authorities’ respective legislations;

- i. Home country:
The country where the parent entity is licensed;
- j. Host country:
The country in which that parent entity maintains branches, subsidiaries, joint-ventures or representative offices;
- k. Requesting Authority:
The Authority making a request under this Letter;
- l. Requested Authority:
The Authority which receives a request under this Letter.

mk **Sharing of Information**

- 2.1 The Authorities recognize that information would be shared in order to facilitate effective consolidated supervision of banking organizations operating across their national borders. Such information-sharing would include contact during the authorization and licensing process, and the supervision of the ongoing activities of such entities, as well as the handling of problem banking organizations (including possible revocation of a license).
- 2.2 In connection with the authorization and licensing process, to the extent reasonable and permitted by their respective laws and regulations,
- a. upon request, the home country supervisor would inform the host country supervisor whether the applicant banking organization is in substantial compliance with banking laws, regulations and any other administrative rules, and whether the banking organization may be expected, given its administrative structure and internal controls, to manage the cross-border establishment in an orderly manner;
 - b. the home and host country supervisors will share information on the capability, integrity, or experience of the prospective managers of a cross-border establishment; and
 - c. the Authorities will exchange information on the supervisory regulations and rules.
- 2.3 In connection with the supervision of the ongoing activities of their cross-border establishments, the Authorities will:

- a. provide relevant information to their counterpart regarding material developments or supervisory concerns in respect of the operations of a cross-border establishment;
- b. 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;
- c. inform their counterpart of material administrative penalties imposed, or other administrative action taken, against a cross-border establishment. Prior notification will be made, as far as practicable and subject to applicable laws; and
- d. facilitate the transmission of any other relevant information that might be required to assist with the supervisory process.

2.4 Requests for information will normally be made in writing. However, where the supervisory authorities perceive a need for expedited action, requests may be initiated in any form but will be confirmed subsequently in writing.

hk **On-site Visit**

- 3. In order to conduct on-site visit on cross-border establishments, the Authorities confirm as follows:
 - a. The home country supervisor will notify the host country supervisor of plans to visit a cross-border establishment in the host country;
 - b. The notification will indicate the purposes and scope of the visit;
 - c. The host country supervisor will allow the home country supervisor to conduct on-site visit unless such visit prevents the host country supervisor from performing their supervisory activities. If not allowed, the host country supervisor will clarify the reason; and
 - d. As may be mutually confirmed between the Authorities, on-site visit may be conducted by the home country supervisor alone, or accompanied by the host country supervisor. Following the visit, an exchange of views may take place between both Authorities.

Protection of Information

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4. The Authorities recognize that mutual trust between supervisory authorities can only be achieved if exchanges of information can flow with confidence in both directions. Information will be shared to the extent reasonable and subject to relevant statutory provisions, including those restricting disclosure. The request for information under this Letter may be denied on grounds of public interest or national security or when disclosure would interfere with an ongoing investigation by the Authorities or other relevant authorities in their respective jurisdictions. Therefore the Authorities confirm:

- a. The Authority receiving the information will provide the assurance that all possible steps will be taken to preserve the confidentiality of the information received;
- b. Any confidential information received from the other Authority will be used exclusively for lawful supervisory purposes. Each Authority will hold confidential all information obtained. In this regard, employees of both Authorities will hold confidential all information obtained in the course of their duties;
- c. The information received by the Requesting Authority will not be used in criminal proceedings (including as evidence) carried out by any court or judge. In the case that such use is needed, the request will be made in accordance with procedures prescribed in the relevant law for international mutual assistance in criminal matters;
- d. Whether supervisory information and documents are confidential or not will be determined by the Authority that provides the information;
- e. Supervisory information received will not be disclosed without the consent of the Authority that provided it unless disclosure is legally compelled;
- f. In the event that the Authority that received such information is legally compelled to disclose it, this Authority will consult with the Authority that originated the information indicating what information is compelled to release and, if so required by the latter Authority, will use its best endeavors to preserve the confidentiality of the information in accordance with the legislation of the Authorities;
- g. In the event of termination of cooperation under this Letter, information obtained will continue to be treated in a manner stated above; and

- h. The terms and conditions stated above do not apply to publicly available information.

h. (Ongoing Coordination

- 5.1 The Authorities express their willingness to promote their cooperation in staff training, aiming to reinforce sound banking supervisory practices in both countries.
- 5.2 The Authorities would hold meetings as appropriate to discuss issues concerning banking organizations that maintain cross-border establishments within their respective jurisdictions.

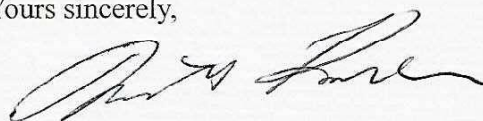
Miscellaneous

- 6.1 Cooperation under this Letter will commence on the day of its signing by both Authorities. Cooperation and assistance in accordance with this Letter will continue until the expiration of 30 days after one of the Authorities gives written notice to the other Authority of its intention to discontinue cooperation and assistance under this Letter, unless confirmed otherwise.
- 6.2 Any of the conditions of this Letter may be modified by mutual consent.
- 6.3 Each Authority would independently bear the expenses involved in cooperation under this Letter, unless a different procedure is confirmed.
- 6.4 The relevant points of contact are set out in the Annexure to this Letter. Both Authorities will inform each other of any modification to the Annexure without undue delay.
- 6.5 If any dispute arises when interpreting the contents of the Letter, the Authorities will endeavor to solve by negotiations and consultations.
- 6.6 This Letter is signed in two original copies, in English language, each Authority obtaining one copy.

We believe that enhanced co-operation in accordance with the modalities set out in this Letter will lead to a mutually beneficial relationship between the JFSA and the CBI.

With my best regards,

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Masato Kanda', written in a cursive style.

Masato Kanda

Deputy Commissioner for International Affairs
Financial Services Agency
Government of Japan

Our Ref. No. 95/376137

Date Feb, 12, 2017



BANK MARKAZI JOMHOURI ISLAMI IRAN
(The Central Bank of the Islamic Republic of Iran)

February 12, 2017

Mr. Masato Kanda

Deputy Commissioner for International Affairs

Financial Services Agency

Government of Japan

3-2-1 Kasumigaseki Chiyodaku, Tokyo, 100-8967 Japan

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With my best regards,

Yours sincerely,

Abbas Kamarei
Director General

Supervision of Banks & Credit
Institutions

Central Bank of Islamic Republic of
Iran

A. Kamarei

Abdolmahdi Arjmandnejad
Director General

Regulation, Licensing & AML

Central Bank of Islamic Republic of
Iran

A. ARJMAND