

MEMORANDUM OF UNDERSTANDING

Between the

Central Bank of The Bahamas

and the

**Superintendencia de Bancos, Seguros y Administradoras
Privadas de Fondos de Pensiones**

regarding Cooperation on Bank Supervision Matters

The Central Bank of The Bahamas and the Superintendencia de Bancos, Seguros y Administradoras Privadas de Fondos de Pensiones hereafter referred to as "the Parties", guided by principles for the effective consolidated supervision of banking organizations and by principles for cooperation between banking supervisors as established in the Basel Committee's Core Principles for Effective Banking Supervision, have agreed as follows:

General Commitments

1. Both Parties commit themselves to the principles contained in the document of the Basle Committee on Banking Supervision (Concordat: 1983; Core Principles for Effective Banking Supervision: 1997) and, therefore, agree upon the function allocated in both documents to the supervisor of the parent institution (home supervisor) and the supervisor of the country in which the subsidiary is located (host supervisor).

In summary, both Parties agree that the home supervisor shall be in charge of the control (supervision) of the organization, internal management and control, risks, capital adjustment and, in general, any significant aspect which may affect the solvency and financial stability of the group and shall have access to all the information it may require to facilitate the conduct of consolidated supervision, subject to the confidentiality provisions of the banking laws of the Parties. On the other hand, the host supervisor shall supervise the organization, internal management and controls, risks, effectiveness of control policies with respect to money laundering, the capital and, therefore, the continuity of the entity or entities operating within their territory, and check the accuracy of their financial statements and the accuracy of the information received from the entities which it supervises, pursuant to the laws in force in each jurisdiction.

Moreover, in the event that the entities operating in the host country have established branch offices or subsidiaries in other countries, the host supervisor must simultaneously assume the responsibility as the home supervisor of the corresponding subgroup, provided that the regulations of the countries where the subsidiary or branch office is located permit it.

Both Parties undertake to develop close cooperation in order to achieve the aforementioned objectives. To this end, upon their own decision or request, they shall exchange the pertinent information available and shall facilitate the performance of their functions.

Definitions

2. For the purposes of this Memorandum of Understanding:

- “banking organization” is a bank or trust company which carries on banking business or trust business and whose activities are subject to licensing and bank supervision by the Parties;
- “bank supervision” includes the supervision of the activities of both banks and trust companies, as defined by the national laws of the respective countries;
- “supervisory information” is the information received or obtained during the process of performing bank supervision functions, as well as through the exchange of information and the conduct of on-site inspections pursuant to this Memorandum of Understanding, by either of the Parties to this Memorandum of Understanding. Supervisory information shall not generally include information on assets under management and individual customer deposit accounts and transactions; and,
- “cross border establishment” means a branch, subsidiary, representative office, or any other business activity of a banking organization within either of the countries which, by common agreement, gives rise to the need for consolidated supervision.
- “home country” is the country of licensing of a banking organization which has established a branch, subsidiary, or representative office in another country, the “host country”.
- “Requesting Party” means the party making a request under this Memorandum.
- “Requested Party” means the party receiving a request under this Memorandum.

Specific Commitments on Cross-border Supervision

3. The Parties agree to cooperate in supervising cross-border establishments as follows:

Provision of Supervisory Information

3.1 In connection with the supervision of banking organizations licensed in one country that have cross-border establishments in the other country, the Parties agree to provide, on a reciprocal basis, current supervisory information on any material changes pertaining to

banking organizations under their supervision, such as restrictions on the range of permitted business activities, suspension or modification or revocation of a license, appointment of a provisional administrator, and reorganization or liquidation.

Supervision of Banking Groups

- 3.2 In Peru, pursuant to the provisions of Article 138 of the Banking Law, the Superintendencia de Bancos, Seguros y Administradoras Privadas de Fondos de Pensiones, in the exercise of the consolidated supervision of the financial conglomerates, requires the individual or consolidated presentation of balance sheets and other pertinent financial information from the companies under its supervision, as it may deem convenient, and capital requirements and limits as well.
- 3.3 In addition, according to the Regulations on Consolidated Supervision or Resolution of the SBS N° 446-2000, the supervised companies of the financial system shall hand over to the Superintendencia de Bancos, Seguros y Administradoras Privadas de Fondos de Pensiones, consolidated financial statements, mechanisms of risk identification and management, list of directors, associates, managers, property composition and management of the conglomerate and others which it may deem convenient.
- 3.4 The aforementioned regulation indicates that the following companies are considered consolidated groups:
 - a) Companies of the financial system, made up of companies of multiple operations, specialized firms, investment banks, companies providing supplementary and related services under the provisions of Article 17 of the Banking Law, traders of the stock market, mutual fund management companies, pension fund management companies, investment funds management companies, securitization and/or special purpose companies.
 - b) Companies of the insurance system: shall be comprised by insurance companies, reinsurance companies and/or health service companies.
- 3.5 Moreover, in Peru, when the control of a conglomerate is exercised by a holding company, its financial information shall consolidate with the group holding the majority interest in the assets of the conglomerate. The Superintendencia de Bancos, Seguros y Administradoras Privadas de Fondos de Pensiones may order the incorporation of other bodies corporate within the consolidated groups provided their corporate purpose is compatible with the corporate purpose of the remaining member corporations.
- 3.6 Whenever necessary and at least once a year, both Parties agree to exchange information about banking groups which they supervise for the purpose of facilitating consolidated supervision of these groups in accordance with the terms of this Memorandum.

Off-site Supervision

- 3.7 In exercising on-going off-site supervision through collecting, examining, and analyzing information and financial and statistical reports submitted by cross-border establishments in the Host Country, the Parties agree that:
- the host country Party will exercise prudential supervision over the activities of cross-border establishments in accordance with its national legislation and regulations and its established supervisory programs;
 - the host country Party will not prevent the cross-border establishments from submitting, to their parent banking organizations, information and other reports necessary to complete consolidated reports or specific reports in accordance with the requirements of the home country Party, provided that such information will not generally include the names of depositors; and,
 - the Parties undertake to use their best endeavors to provide timely, relevant information to their counterpart on material developments or material supervisory concerns affecting cross-border establishments, their directors, management, or staff, as well as any material administrative penalties or other formal enforcement action affecting the cross-border establishment.

On-site Inspections

- 3.8 In effecting the conduct of on-site inspections of cross-border establishments for the purpose of consolidated supervision:
- the Requested Party will not prevent the Requesting Party from carrying out on-site inspections for bank supervision purposes (either directly or through delegated third-party agents on its behalf), subject to the requirements and limitations of the Requested Party's national legislation;
 - the Requesting Party will notify the Requested Party of its intention to inspect a cross-border establishment, indicating the purpose and the planned scope of the inspection, which may include the review of the loans and investment portfolio for the purpose of consolidated supervision;
 - the Requested Party agrees to provide, at the request of the Requesting Party, access to any available supervisory information relevant to the conduct of the on-site inspection, subject to the limitations and requirements of the Requested Party's national legislation;

- representatives of the Requested Party have the right to be present during the on-site inspections and related meetings conducted by representatives of the Requesting Party; and,
- following the on-site inspection, the representatives of the Requesting Party will discuss the results of the inspection with the Requested Party.

Authorization of Banking Subsidiaries

- 3.9 The creation of foreign banking subsidiaries or the acquisition of significant interests, directly or indirectly, in a preexisting institution is subject to the authorization of the relevant supervisory authority. Such authorization may be rejected due to causes indicated in the law, or, based on the financial situation of the credit institution or its management capacity, when it is considered that the project may have a negative effect; when an effective supervision of the group based on the consolidated terms cannot be ensured; or when activities undertaken by the supervised entity are not subject to an effective control by the local supervisory authority.
- 3.10 In Peru, the Superintendencia de Bancos, Seguros y Administradoras Privadas de Fondos de Pensiones requires that the parent companies of foreign affiliates furnish duly updated information regarding the financial situation of said affiliates, their risk level and the management and control thereof, both locally and within the group. On the other hand, parent companies must subject their foreign banking affiliates to an external audit or tax review, preferably by the same firm that audited the group as a whole.
- 3.11 The supervisory bodies subject the foreign banking institutions operating in their territory to the same requirements and supervision as all other authorized banking institutions within the country.
- 3.12 The Central Bank of Bahamas and the Superintendencia de Bancos, Seguros y Administradoras Privadas de Fondos de Pensiones shall freely discuss any aspect and may request the exchange of any significant information they may hold in relation to said subsidiaries, provided that it does not breach the confidentiality provisions of the Parties' banking legislation.

Authorization of Financial Subsidiaries Supervised by other Authorities

4. The Home Supervisor shall be interested in being informed on any other aspect that could be of interest to it for the supervision of the groups. Also, it shall be interested in becoming familiar with the relevant amendments in the local legal provisions affecting such institutions.

At the request of the Home Supervisor, the Host Supervisor may agree to act as an intermediary between the home supervisor and other supervisory authorities operating in the host country.

Other Non-Financial Institutions

5. In both countries the interests of banking institutions in non-financial companies are subject to certain limitations. Supervisory bodies are interested in being informed of any aspect concerning this matter, to the extent permitted by their respective legislation.

Contacts or meetings of representatives of the Parties

6. The officials in charge of the supervisory functions in both countries may require recommendations and clarifications from the other party from time to time, and may request periodic meetings as appropriate.

Execution of Requests and Responses

7. The execution of requests and responses will be attended as follows:
 - 7.1 The Parties agree that a request for assistance or supervisory information shall generally be made in writing but, when a need for expeditious action is identified, an oral request, subsequently confirmed in writing, within 3 days of the request will be adequate.
 - 7.2 The Parties agree to take all necessary measures to provide as prompt and as complete a response as possible. The Requested party will notify the Requesting Party regarding any circumstances preventing or delaying the fulfillment of a request for information or assistance.
 - 7.3 The Parties agree to independently bear the expenses involved in the implementation of this Memorandum of Understanding, unless an alternative procedure is agreed upon in writing, signed by both Parties.

Confidentiality of Information

8. Regarding confidentiality of information, the Parties agree that:
 - 8.1 Within the framework of this Memorandum of Understanding, supervisory information and documents shall be provided to the extent reasonable and subject to national statutory provisions including those restricting disclosure. A request for information, documents, or assistance may be denied wholly or partially if the Requested Party determines that the fulfillment of the request will violate its national legislation, or that it may harm significant national interests, or on grounds of public interest, or when disclosure would interfere with an ongoing investigation. In such cases, the Requesting Party will be notified about the denial and provided reasons for the denial in writing, where appropriate.

- 8.2 Each Party will always ensure the confidentiality of supervisory and other information and documents received from the other Party pursuant to the requirements and restrictions of their relevant national law.
- 8.3 Supervisory information that is received by either Party will not be used, without the consent of the Party that provided it, for any purposes other than for the purposes for which it was requested and provided.
- 8.4 Unless disclosure is legally compelled, supervisory and other information and documents received by either party pursuant to this Memorandum of Understanding will not be passed to a third Party or otherwise released from the control of the receiving Party without the prior consultation with and written consent of the Party that provided the information and documents. In the event that the Party that received the information is compelled by judicial order to disclose it, that Party will notify the Party that provided the information or documents, indicating what it is compelled to release and, if so requested by the other Party, use its best endeavors to preserve the confidentiality of the information to the extent permitted by its relevant national law.

Sharing of Legal Framework Information

9. The Parties agree to regularly provide, on a reciprocal basis, current information on applicable national banking legislation and regulations, bank supervision and regulatory standards, policies and requirements, and any material changes in them, in particular on those matters having a material bearing on the activities of cross-border establishments.

Copies of the relevant national laws and regulations of both Parties, that are currently in force, are attached as an Appendix to this Memorandum of Understanding.

Term and Termination

10. The Parties agree that the term of this Memorandum of Understanding will continue unless either Party submits to the other, within 30 days of its intention to terminate this Memorandum of Understanding, a written notice of such intent. Both Parties shall continue to fulfill their obligations under this Memorandum of Understanding until the termination date.

The Parties agree to exchange identical copies of this document in the English and Spanish languages each copy being considered an original, signed by the persons duly authorised by the respective Parties to execute this document on their behalf. The Parties agree that this Memorandum of Understanding shall come into force on the date of the

last signature. This Memorandum of Understanding does not create any binding legal obligations on the Parties.

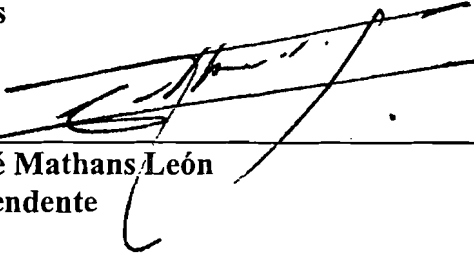
On behalf of the Central Bank of The Bahamas:



Wendy Craig
Governor

21 September 2005
Date

On behalf of Superindencia de Bancos, Seguros y Administradoras Privadas de Fondos de Pensiones



Juan José Mathans León
Superintendente

31 October, 2005
Date