

Mumbai, <sup>13<sup>th</sup></sup> June 2017  
Ref. No. 2017/071530/CNB/003

Dear Mr Mundra,

**Re: Cooperation and Exchange of Information between the Czech National Bank and the Reserve Bank of India regarding banking organisations incorporated in the Republic of India and the Czech Republic**

It is my pleasure to inform you that the Czech National Bank (CNB) considers that it would be appropriate to establish an arrangement for the exchange of supervisory information and the enhancing of cooperation in the area of supervision of the banking organisations<sup>i</sup> that operate simultaneously in the Republic of India and the Czech Republic directly or indirectly (whether through a branch, a subsidiary, or a member of the common group) and that are licensed and supervised by the Reserve Bank of India<sup>ii</sup> (RBI) or the CNB<sup>iii</sup> (Supervised Banks). We recognise that further co-operation between the RBI and the CNB in the area of banking supervision would be mutually beneficial, with a view to ensuring soundness of the banking systems in both jurisdictions and of the finances of banking organisations operating in each other's jurisdiction. It is also acknowledged that enhancing the exchange of information between supervisors is important in view of the globalisation of financial markets and the increasing cross-border activities undertaken by banking organisations.

In this context, this letter confirms the interest of the CNB in enhancing co-operation with the RBI in a mutually beneficial manner, in accordance with respective laws and regulations. It is understood that this letter is a statement of intent and does not create any legally binding obligations upon the CNB.

The cooperation that is to be established between the RBI and the CNB will include at the minimum the following elements: (i) exchange of information (ii) on-site examinations and visits (iii) confidentiality.

**EXCHANGE OF INFORMATION**

1. The CNB recognizes the importance and desirability of mutual assistance and exchange of information relating to cross-border establishments.<sup>iv</sup>
2. The CNB will endeavor to exchange information that could be relevant for the pursuance of their supervisory tasks in the line with the applicable laws and regulations, to the extent reasonable and subject to any relevant statutory provisions, including those restricting disclosure.

3. Exchange of information should include the information relevant in the authorization and licensing process, the supervision of on-going activities, handling problem situations and the possible revocation of a license of the Supervised Banks.
4. Upon receipt of a written request, the CNB will use their best endeavours to cooperate and provide information. Where the CNB or the RBI perceive a need for expedite action, requests may be initiated in any form but should be confirmed subsequently in writing.
5. Where remedial action is called for to address a material supervisory concern, the CNB will endeavour to notify the RBI prior to taking the appropriate action towards the Supervised Banks, or, as circumstances dictate, as soon thereafter as practicable.
6. The CNB shall co-operate and exchange information with the RBI in the process of decision making with regard to granting permission (consent) to acquiring of a participatory interest in the Supervised Banks that requires, subject to the provisions of the relevant national legislation, a permission (consent) from the respective Authority.

#### **ON-SITE EXAMINATIONS AND VISITS**

7. The CNB will notify the RBI of proposals of on-site examinations and visits at the Supervised Banks in the Republic of India. Subject to the applicable laws, the RBI will provide support to the CNB in such examinations/visits by providing information on the relevant Supervised Bank(s) and the national regulatory system. The CNB may, subject to applicable national laws, agree that any such examination/visit is accompanied by the personnel of the RBI or the auditors and/or examiners commissioned by the RBI on the basis of mutually agreed terms. The CNB will keep the RBI informed of the results of the examination/visits to the extent reasonable and permitted by the national legislation and in a timely manner.
8. The CNB may request the RBI, on an exceptional basis, to undertake an on-site examination/visit of cross border establishments in the Republic of India, subject to the laws applicable in that regard.

#### **CONFIDENTIALITY**

9. To the extent permitted by law, the CNB will hold confidential all information obtained from the RBI pursuant to these arrangements and will not use or disclose such information otherwise than for the lawful supervisory purposes. Any other use is subject to conditions (if any) attached by the RBI to the provision of such information. This obligation shall remain in effect even in case of the termination of these arrangements.
10. All documents, media and information provided pursuant to these arrangements shall remain the property of the Authority providing such information. Subject to the provision that any confidential information shared shall be used only for lawful supervisory purposes, if the CNB is legally compelled to disclose any confidential information provided pursuant to these arrangements, it will promptly notify the RBI and will co-operate in seeking to preserve the confidentiality of such information.

**MODIFICATION AND TERMINATION**

11. These arrangements may be subject to modification by mutual consent of the RBI and the CNB or subject to termination by either Authority (with the exception of Articles 9 and 10 which cannot be modified or terminated).

**PROFESSIONAL SECRECY**

12. All personnel at the CNB that may use the information shared within the framework of the present arrangement, remain subject to the professional secrecy rules provided by the Czech Republic legislation for the CNB employees.

We believe that enhanced co-operation in accordance with the modalities set out in this letter will lead to a mutually beneficial relationship between RBI and the CNB

Yours sincerely,



Shri S. S. Mundra  
Deputy Governor  
Reserve Bank of India  
16th floor, Central Office Building  
Shahid Bhagat Singh Marg  
Mumbai - 400 001  
INDIA

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<sup>i</sup> "banking organisation" shall mean

- in India, an institution authorised to carry on banking business under Section 22 of the Banking Regulation Act, 1949 or permitted under any other enactment or statutory instrument and for the supervision of which the RBI is responsible,
- in the Czech Republic, an institution authorized to accept deposits from the public and provide loans and other services in line with its authorization under Act No. 21/1992 Coll., on Banks, as amended.

<sup>ii</sup> The Reserve Bank of India was established under the provisions of the Reserve Bank of India Act, 1934 and is responsible for the regulation and supervision of banking organisations taking public deposits, issuing loans, arranging settlement of accounts and engaging in other business in India and in accordance with India legislation.

<sup>iii</sup> The Czech National Bank has been established by the Act No. 6/1993 Coll., and its role is enshrined in the Czech Constitution. It is a successor to The State Bank of Czechoslovakia and The National bank of Czechoslovakia ( established in 1926). It is a Czech monetary authority as well as an integrated supervisor of the Czech financial market, including banking, insurance, capital markets, payment institutions and systems etc., in accordance with Czech legislation and legislation of the European Union.

<sup>iv</sup> Cross Border Establishments shall mean the cross-border establishment of branches, representative offices or subsidiaries by the home head office or parent banking organisation or any other entity within the jurisdictions of India and the Czech Republic, which gives rise to the need for consolidated supervision.