Memorandum of Understanding
concerning co-operation in banking supervision

between

Australian Prudential Regulation Authority (APRA)

and

Bank Indonesia (BI)

The Australian Prudential Regulation Authority (APRA) and Bank Indonesia (BI) have reached the following understanding in order to establish an arrangement for the sharing of supervisory information and the enhancement of cooperation in the area of banking supervision.

I. INTRODUCTION AND OBJECTIVE

1. The Functions of the Banking Supervisory Authorities

   (a) Australian Prudential Regulation Authority

   APRA is the national prudential regulator in Australia, established on 1 July 1998 under the *Australian Prudential Regulation Act 1998.* APRA administers legislation providing for the supervision of authorised deposit-taking institutions (banks, building societies and credit unions), insurance/reinsurance companies, friendly societies and superannuation funds authorised to operate in Australia.

   (b) Bank Indonesia

   Bank Indonesia is the Authority with the task to regulate and supervise banks stipulated under the Act of the Republic of Indonesia No. 23 of 1999 concerning Bank Indonesia as amended lastly by Act No. 6 of 2009.

2. APRA and BI agree that the objectives of this Memorandum of Understanding (MOU) are to:

   (a) ensure that the operations of the cross-border branches, representative offices and subsidiaries of Banking Organisations under their respective Jurisdictions are prudently conducted;

   (b) ensure that their respective ongoing supervision of Banking Organisations effectively covers cross-border banking establishments on a consolidated basis and to assist each other in performing such function; and

   (c) ensure that the head offices and parent Banking Organisations exercise adequate and effective control over the operations of their cross-border branches and subsidiaries.

3. This MOU is a statement of intent and does not create any legally binding obligations on APRA or BI.

4. This MOU does not affect the ability of APRA or BI to otherwise request:

(a) documents, information or assistance from each other; or

(b) documents, information or evidence from individuals;

under relevant laws in their respective Jurisdictions, such as, in Australia, section 6 of the *Mutual Assistance in Business Regulation Act 1992*.

II. DEFINITIONS

5. For the purpose of this MOU:

(a) "Banking Organisation" means in the Republic of Indonesia (RI), a corporate entity which is established to mobilise funds from the public and channel them to the public, as well as conduct other business commonly undertaken by banks, providing that such activities are not be in contravention of the Banking Act of the RI and prevailing Laws. In Australia, it means any entity which conducts banking business and includes any entity which is not called a "bank" but which conducts banking business.

(b) "Cross-border Establishment" means the Cross-border Establishment of branches, subsidiaries or representative offices by their home head office or parent Banking Organisation, which gives rise to the need for consolidated supervision. Annexure A contains a list of Cross-border Establishments. While Cross-border Establishments include those where the Authorities are both Host Authorities, for administrative convenience these are not to be listed in Annexure A;

(c) "Authorities" means APRA and BI;

(d) "Jurisdiction" means the country, state or other territory, as the case may be, in which APRA or BI has legal authority, power and/or jurisdiction by law;

(e) "Home Authority" means the Authority of the country where the home head office or parent Banking Organisation of a Cross-border Establishment is established;

(f) "Host Authority" means the Authority of the country where Cross-border Establishments are established;

(g) "Requested Authority" means the Authority to whom a request is made under this MOU;

(h) "Requesting Authority" means the Authority that makes a request under this MOU;

(i) "Supervisory Information" means data and materials received, obtained or produced by the Authorities in the performance of their supervisory functions, as well as through the conduct of on-site examinations, in accordance with the prevailing laws of each Jurisdiction; and

(j) "Applicable Laws and Regulations" mean any laws, regulations, rules or requirements applicable in each Jurisdiction pertaining to Banking Organisations, and where the context permits, this includes any policies, directions, and administrative action laid down by the Authorities.

III. GENERAL PRINCIPLES

6. The Authorities recognise that the arrangement of this MOU is to establish effective cooperation on the basis of mutual assistance. For that purpose, the Authorities will use their best endeavours to meet the terms agreed in this MOU.

7. To the extent permitted by Applicable Laws and Regulations, both Authorities will make reasonable efforts to ensure that the Requesting Authority is provided with all relevant information for the purposes of cooperation under this MOU so that it may effectively perform its statutory functions.

IV. SCOPE OF COOPERATION

8. This MOU sets out the arrangements for promoting effective cooperation that covers:

   (a) the sharing of Supervisory Information relating to Cross-border Establishments, in the context of the authorisation and licensing process and on-going supervision;

   (b) the notification of plans to conduct an on-site examination of a Cross-border Establishment in the Jurisdiction of the other Authority, as well as the cooperation between the Authorities during the on-site examination process;

   (c) the conduct of regular meetings to discuss general supervisory developments and issues concerning Cross-border Establishments; and

(d) other pertinent supervisory situations such as crisis management arrangements and banking crime.

V. SHARING OF SUPERVISORY INFORMATION

9. The Authorities recognise the importance and desirability of mutual assistance and exchange of information, and therefore agree to provide, on a reciprocal basis, relevant Supervisory Information. Information is shared under this MOU only to the extent reasonable and subject to any relevant statutory provisions relating to confidentiality and professional secrecy, including those restricting disclosure.

10. Any request for information is to be made in writing in English as and when necessary between the designated contact officer(s) who will be the contact(s) for the purposes of sharing information under this MOU (see Annexure B). However, when there is a need for expedited action, requests may be initiated in any form, including orally, but should be confirmed subsequently in writing. The Requested Authority will endeavor to provide the information as quickly as possible.

11. To facilitate assistance, the request will specify:

    (a) the information requested; and

    (b) the purpose for which the information is sought.

VI. AUTHORISATION AND LICENSING PROCESS

12. In connection with the authorisation and licensing process:

    (a) the Host Authority is expected to notify the Home Authority, without delay, of applications for approval to establish a Cross-border Establishment or to make an acquisition in the host Jurisdiction;

    (b) upon request, the Home Authority is expected to inform the Host Authority whether the applicant Banking Organisation is in substantial compliance with Applicable Laws and Regulations and whether it may be expected, given its administrative structure and internal controls, to manage the Cross-border Establishment in an orderly manner. The Home Authority should also, upon request, assist the Host Authority by verifying or supplementing any information submitted by the applicant Banking Organisation;

(c) upon request, the Home Authority is expected to inform the Host Authority about the nature of its regulatory system and the extent to which it will conduct consolidated or group-wide supervision of the applicant Banking Organisation. Similarly, the Host Authority is expected to indicate the nature of its regulatory system and the extent to which it will supervise the Cross-border Establishments of the applicant Banking Organisation; and

(d) to the extent permitted by Applicable Laws and Regulations, the Home and Host Authorities expect to share information including, but not limited to:

(i) the historical track records of financial institutions or persons that have or seek a significant participatory interest or control (as defined by Host Authority's Applicable Laws and Regulations) of a Cross-border Establishment to ensure their fitness and propriety;

(ii) the provision of assistance for the purpose of clarifying the source of funds as required in accordance with the Applicable Laws and Regulations of each Authority; and

(iii) information relating to the capacity, integrity and experience of prospective members of management (e.g., directors, managers, and other executive officials) of a Cross-border Establishment and any other information which might give rise to doubts as to their fitness and propriety.

VII. ON-GOING SUPERVISION

13. In connection with the ongoing supervision of Cross-border Establishments, the Authorities intend to:

(a) provide relevant information to each other regarding material developments or material supervisory concerns in respect of the operations of a Cross-border Establishment;

(b) inform each other of material administrative penalties imposed, or other formal enforcement actions taken against a Cross-border Establishment, such as restriction of business activities, request for changes of management, suspension or modification of a licence, or other exceptional supervisory actions taken. Prior notification will be made, as far as practicable, and subject to Applicable Laws and Regulations;

(c) facilitate the transmission of any other relevant information that might be required to assist with the supervisory process;

(d) respond to requests for information on their respective Applicable Laws and Regulations and inform each other about major changes, in particular those which have a significant bearing on the activities of Cross-border Establishments; and

(e) not prevent a Cross-border Establishment from submitting, to their home head office or parent Banking Organisation, information and other reports necessary to compile consolidated reports in accordance with the requirements of the Home Authority, provided that such information does not violate the Applicable Laws and Regulations relating to confidentiality.

14. The term "material supervisory concern" encompasses a matter relating to:

(a) whether the operations of a Banking Organisation are conducted in a safe and sound manner and substantially in conformity with applicable prudential standards;

(b) whether there has been evidence of a material violation of law; or

(c) events that would have a material adverse effect on the financial stability of Banking Organisations in the Jurisdiction of the other Authority.

A material supervisory concern includes concerns that arise from actions of Cross-border Establishments of the Banking Organisation.

15. Where remedial action is called for to address a material supervisory concern, each Authority will use its best endeavours to notify the other Authority before taking appropriate action or, as circumstances dictate, as soon thereafter as practicable.

16. In carrying out the undertakings stipulated above in the case of an Australian or RI Banking Organisation facing serious financial difficulties that could have a material adverse impact on the operations of Cross-border Establishments in the respective host Jurisdiction, the Authorities recognise that close liaison between them would be mutually advantageous. The Authorities will endeavour to communicate such information as would be appropriate in the particular circumstances, taking into account all relevant factors, including the status of efforts by the Home Authority to resolve the bank's difficulties and restore confidence in the bank.

VIII. ON-SITE EXAMINATIONS

17. The Home Authority is expected to notify the Host Authority of plans to inspect or examine a Cross- border Establishment or to appoint a third party to conduct an examination on its behalf, and to indicate the purposes and scope of the inspection or examination. The Host Authority reserves the right to accompany the Home Authority on such an inspection or attend any examination. The Authorities expect to keep each other informed of the results of any inspections in a timely manner. If the parent entity has been inspected along with its Cross-border Establishment in the other country, the Home Authority is expected to provide the Host Authority with a summary report on material findings that are relevant to the Cross-border Establishment.

18. Indonesian law requires that BI must first give permission for any on-site examination by APRA. BI will consider all requests by APRA for permission on a case by case basis and such requests will not be unreasonably refused.

IX. MEETINGS OF THE AUTHORITIES

19. Representatives of the Authorities intend to hold meetings in case of necessity to discuss general developments in Banking Organisations which maintain operations in both Australia and the RI, and to share any major changes in the supervisory and regulatory system, which have significant bearing on the activities of Cross-border Establishments. In addition, every effort will be made to encourage continuous and informal contacts between the staff of the Authorities.

X. CRISIS MANAGEMENT

20. In connection with cross-border cooperation on crisis management:

    (a) for a Cross-border Establishment and its head office or parent Banking Organisation affected by a crisis, the Home and Host Authorities expect to consider together possible issues and barriers that may arise in cross-border cooperation, and seek potential solutions;

    (b) the Home Authority expects to hold special meetings with the Host Authority about a specific Cross-border Establishment and its head office or parent Banking Organisation of concern as appropriate. The Host Authority may propose to the Home Authority the holding of special meetings about a specific Cross-border Establishment and its head office or parent Banking Organisation of concern as appropriate;

(c) the Home and Host Authorities expect to inform each other, on a timely basis, of the arrangements for crisis management developed for a specific Cross-border Establishment and its head office or parent Banking Organisation. The Authorities expect each other to share, at minimum, the following information:

(i) assessments on systemic impact, liquidity, solvency and contingency funding plans of a specific Cross-border Establishment and its head office or parent Banking Organisation;

(ii) other contingency arrangements; and

(iii) contingency liquidation arrangements developed by a Cross-border Establishment in the event of bankruptcy;

(d) the Authorities expect to provide each other, on a timely basis, with information pertaining to depositor protection arrangements for a specific cross-border branch under their respective Jurisdictions;

(e) to assist the Host Authority responsible for a specific cross-border branch, the Home Authority, where necessary, may encourage the head office of the branch to provide, on a timely basis, relevant information and any proposed solutions and arrangements having regard to the nature of the crisis; and

(f) where permitted by legal frameworks and confidentiality arrangements, the Home and Host Authorities expect that they will provide each other with the requested information in a timely way.

XI. CONFIDENTIALITY

21. The Authorities expect that any confidential information shared under this MOU will be used only for lawful supervisory purposes.

22. To the extent permitted by the Applicable Laws and Regulations, the Authorities will use their best endeavours to hold confidential all information received from each other under this MOU and to not otherwise disclose such information other than in accordance with any conditions attached by the other Authority to the provision of such information and as necessary to carry out its lawful supervisory responsibilities.

23. All information provided under this MOU will remain the property of the Authority providing such information. Subject to the provisions of this MOU, if either Authority is legally compelled to disclose any confidential information provided under this MOU, the Authority will promptly notify the Authority that originated the information and request its consent to the disclosure. Should consent not be obtained, then the Authority under legal compulsion will use its best endeavours to preserve the confidentiality of the information to the extent permitted by law.

24. Subject to the provisions of this MOU, with regard to requests from third parties for confidential information provided under this MOU, the Authority receiving such requests will use its best endeavours to notify the Providing Authority and solicit the Providing Authority's views as to the propriety of releasing such information to the third party. Should consent to disclosure be refused, then the Authority receiving the request, subject to respective laws, will not release the information to the third party. If consent is obtained, the information will be released on condition that the third party use it only for lawful supervisory purposes, be under the same confidentiality restrictions as the Authority releasing the information, and be subject to any other conditions required to be imposed by the Authority which provided the information.

25. The sharing of confidential information under this MOU is done in reliance on the above assurances and will not constitute a waiver of any legally recognisable privilege.

26. The Authorities expect each other to mark every page of the materials provided with a legend reading substantially as follows:

    "CONFIDENTIAL - PROVIDED UNDER APRA/BI MEMORANDUM OF UNDERSTANDING"

XII. GENERAL PROVISIONS

27. This MOU will be effective from the date of its signing. It may be amended by the mutual agreement in writing of the Authorities. The provisions set forth under the headings "Confidentiality" and "General Provisions" with respect to any information provided or actions taken under this MOU survive any termination of this MOU.

XIII. MISCELLANEOUS

28. Annexure B contains a list of designated contact officers, which will be updated as necessary.

For the Australian Prudential Regulation Authority	For Bank Indonesia
Dr. John Laker Chairman	Dr. Darmin Nasution Governor

6 June 2012

Annexure A – List of Cross-border Establishments (Excluding those where APRA and BI are both Host Authorities)

1. PT. ANZ Panin Bank Indonesia
2. Commonwealth Bank Australia