

# **LAW ON RESTRUCTURING AND REHABILITATION OF A PORTION OF THE BANKS IN THE REPUBLIC OF MACEDONIA**

("Official Gazette of the Republic of Macedonia" No. 14/95)

Note: See "Official Gazette of the Republic of Macedonia" No. 17/96; 36/97; 20/98

## **I. GENERAL PROVISIONS**

### Article 1

This Law regulates the conditions and procedures of rehabilitation and restructuring of a portion of the banks in the Republic of Macedonia (hereinafter: banks), and the assumption of receivables and debts due from loans granted by foreign creditors.

### Article 2

The rehabilitation of banks, according to this Law shall be administered by way of:

- writing off personal foreign currency savings deposits and accounts from bank balance sheets, for which the Republic of Macedonia has guaranteed payment; and
- writing off balances of bank receivables and debts due from loans granted by foreign creditors.

### Article 3

The restructuring of Stopanska Banka AD-Skopje, in compliance with this Law, shall entail its rehabilitation, reorganization and privatization.

## **II. SERVICING OF PERSONAL FOREIGN CURRENCY BANK DEPOSITS AND FOREIGN CURRENCY BANK ACCOUNTS**

### Article 4

Banks are obliged, as of January 1 1995, to write off personal foreign currency savings deposits and foreign currency accounts from their assets and liabilities in their accounting records (hereinafter: foreign currency savings deposits), which are

guaranteed by the Republic of Macedonia in compliance with the Law on Guarantees of the Republic of Macedonia on Foreign Currency Deposits and the Supply and Payment of Personal Foreign Currency Deposits in 1993, 1994 and 1995 (Official Gazette of the Republic of Macedonia No. 31/93 and 70/94) according to the status determined on December 31 1994.

With the exception of paragraph 1 of this article, banks are to enter the effected payments of foreign currency savings deposits from their own funds in their accounting records as receivables from the State until the National Bank of the Republic of Macedonia (hereinafter: the National Bank) determines whether those payments have been effected in compliance with the following Laws and Decision: the Law on Assumption of Personal Foreign Currency Savings Deposits by the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 26/92), the Law on Guarantees extended by the Republic of Macedonia for Personal Foreign Currency Deposits and Supply and Payment of Personal Foreign Currency Deposits in 1993, 1994 and 1995 (Official Gazette of the Republic of Macedonia No. 31/93 and 70/94), the Law on Temporary Measures for Regulation of Debts of the National Bank of Yugoslavia for Foreign Currency Savings Deposits in 1991 (Official Gazette of the SFRJ No. 96/91), and the Decision on the Conditions and Procedures of Extending Short-Term Loans to Banks in the First Quarter of 1992 Based on the Final Sale of Personal Foreign Currency Deposits and the Effective Sale of Foreign Currency (Official Gazette of the SFRJ No. 6/92 and 7/92).

Banks shall write off from their accounting records the effected payments of foreign currency deposits from funds provided by the budget of the Republic of Macedonia commencing January 1 1995, until the enforcement of this Law.

Payments effected by banks from their own funds in the period between January 1 1995, until the enforcement of this Law are to be entered in their accounting records as receivables from the State as specified under paragraph 2 of this article.

## Article 5

Banks shall establish and maintain separate records of foreign currency savings deposits, which are to be serviced on behalf of the Republic of Macedonia.

With the exception of paragraph 1 of this article, the servicing of foreign currency savings deposits on behalf of the Republic of Macedonia shall be maintained by:

- Banka za Nadvoresna Trgovija AD-Skopje (Foreign Trade Bank) shall be serviced by Makedonska Banka AD-Skopje;
- JIK Banka, Belgrade - Skopje Branch Office and Bitola Branch Office shall be serviced by Izvozna i Kreditna Banka AD-Skopje (Export and Credit Bank, Skopje); and
- Invest Banka, Belgrade - Skopje Branch Office shall be serviced by Invest Banka AD-Skopje.

Should any bank, following the enforcement of this Law, not be in the position to service the foreign currency savings deposits due to termination of business, the Government of the Republic of Macedonia shall designate the bank which will service the foreign currency savings deposits.

#### Article 6

The Minister of Finance and the banks specified under article 5 of this Law shall enter an agreement for the regulation of the procedures and conditions under which foreign currency savings deposits are to be serviced.

### **III. ASSUMING RECEIVABLES AND DEBTS ON LOANS FROM THE PARIS CLUB OF CREDITORS**

#### Article 7

The Republic of Macedonia shall assume receivables and debts from bank balances on utilized foreign loans granted by the Paris Club of Creditors (loans approved by foreign governments and government agencies), the beneficiaries being enterprises from the Republic of Macedonia, with December 31 1994, state of accounts and in total value of 261.62 million USD as follows:

- Stopanska Banka AD-Skopje in the amount of 226.21 million USD;
- Banka za Nadvoresna Trgovija Ad-Skopje (Foreign Trade Bank) in the amount of 31.67 million USD;
- Makedonska Banka AD-Skopje in the amount of 3.73 million USD.

The amount specified under paragraph 1 of this article includes debts and corresponding amounts of receivables based on the principal and interest from the mentioned loans.

#### Article 8

The amounts specified under article 7 of this Law include the portion of debts on assumed loans from the former SFRY in compliance with the Law on Assumption of Federal Debts from Certain Foreign Loans and the 1990 Foreign Debts of the National Bank of Yugoslavia on behalf of the Federation (Official Gazette of the SFRY No. 83/89).

Receivables of the Republic of Macedonia for assumed debts, as stipulated under paragraph 1 of this article, have the status of an investment of the Republic of Macedonia within the value of the enterprise in compliance with article 7 paragraph 2 of the Law on the Transformation of Enterprises with Social Capital (Official Gazette of the Republic of Macedonia No. 38/93 and 48/93).

#### Article 9

The payment of debts stipulated under articles 7 and 8 of this Law shall be effected from the budget of the Republic of Macedonia.

#### Article 10

Banks are obliged to service debts on loans stipulated under article 7 of this Law in compliance with the conditions and the method determined by the Bank Rehabilitation Agency (hereinafter: Agency).

The Agency and a commercial bank shall enter an agreement on the conditions and method of effecting payments of loans stipulated under article 7 of this Law with respect to the portion of Banka za Nadvoresna Trgovija AD-Skopje (Foreign Trade Bank).

#### Article 11

The Agency shall collect receivables on loans stipulated under articles 7 and 8 of this Law from the ultimate beneficiaries on behalf of the Republic of Macedonia.

Ultimate beneficiaries of loans are obliged to settle their debts within maturity terms and in accordance with the conditions concluded with the Paris Club of Creditors. With the exception of paragraph 2 of this article, the Agency may arrange premature payment of receivables with a discount, sell receivables to third persons or apply other forms to regulate receivables under the conditions set by the Managing Board of the Agency.

#### Article 12

According to article 11 of this Law, collected receivables represent State budgetary revenues.

#### Article 13

Banks shall write off from their accounting records starting January 1 1995, all receivables and debts from loans extended by the Paris Club of Creditors according to the status determined on December 31 1994, and these shall be entered on separate records.

Banks are obliged to transfer to the Agency all rights over instruments used as collateral on receivables from loans stipulated under paragraph 1 of this article.

#### Article 14

The Republic of Macedonia shall assume payment of debts towards the Paris Club of Creditors in the amount of 5.4% from non-allocated debts of ultimate beneficiaries utilized by bodies of the former SFRY which are to be arranged with the Paris Club of Creditors.

### **IV. RECEIVABLES AND DEBTS ON LOANS FROM OTHER FOREIGN CREDITORS**

#### Article 15

The Republic of Macedonia shall assume from the accounting records of banks, a portion of the debts from the International Financial Corporation (IFC) incurred from loans of the former SFRY in compliance with the Law on Assumption of Federal Debts from Certain Foreign Loans and the 1990 Foreign Debts of the National Bank of Yugoslavia on behalf of the Federation (Official Gazette of the SFRY No. 83/89).

Receivables of the Republic of Macedonia for assumed debts, as stipulated under paragraph 1 of this article, have the status of an investment of the Republic of Macedonia within the value of the enterprise in compliance with article 7 paragraph 2 of the Law on the Transformation of Enterprises with Social Capital (Official Gazette of the Republic of Macedonia No. 38/93 and 48/93).

#### Article 16

Debts and receivables based on principal and interests on loans approved by the Paris Club of Creditors where upon Stopanska Banka AD-Skopje represents the agent-payer on behalf of beneficiaries situated outside the Republic of Macedonia in the amount of 28.09 million USD, shall be written off the balance and entered on the off-balance records of Stopanska Banka AD-Skopje.

#### Article 17

All other receivables and debts on loans extended by foreign creditors until March 30 1992, excluding those approved by the Paris Club of Creditors, shall be written off balance sheets starting October 31 1995, and entered as off-balance sheet items with the banks.

#### Article 18

The Government of the Republic of Macedonia is authorized to negotiate with foreign creditors regarding the regulation of receivables and debts on loans stipulated under articles 16 and 17 of this Law.

### **V. RECONSTRUCTION OF STOPANSKA BANKA A..D. SKOPJE**

#### Article 19

Further to implementing the process of rehabilitation of a portion of the banks in accordance with this Law, the reconstruction of Stopanska Banka AD-Skopje (hereinafter: Bank) shall also entail:

- specifying and writing off bad debts from the Bank's balance sheet;
- revoking the equity capital of debtors whose liabilities are subject to regulation under this Law;
- spin off and privatization of the Bank; and
- participation of Government and National Bank representatives in the managing bodies of the Bank.

#### Article 20

The National Bank shall determine the regulation of unrecovered Denar receivables of the Bank commencing December 31 1994, through a decision passed by the Governor.

Unrecovered Denar receivables according to paragraph 1 of this article apply to Denar investments classified under categories "D" and "E" and a portion under "C" should it be determined that they are hardly collectible or uncollectible.

The unrecovered Denar receivables stipulated under paragraph 1 and 2 of this article also include receivables of the Bank from enterprises, which according to article 7 under the Law on the Restructuring of Loss-Making Enterprises (Official Gazette of the Republic of Macedonia No. 2/95) shall be transformed into investments in those enterprises.

The determined amount of unrecovered receivables stipulated under paragraph 1 of this article shall be reduced by:

- the amount of share capital belonging to debtors whose liabilities are regulated under this Law;
- the amount of selective loans of the National Bank with the Bank; and
- the appropriate portion of the Bank's provisions according to the 1994 yearly statement.

The balance of unrecovered Denar receivables in which the amount of unrecovered Denar receivables covered by selective loans stipulated under paragraph 4 line 2 of this article are also included, shall be transferred to the Agency.

When transferring the balance unrecovered receivables to the Agency, as stipulated under paragraph 4 of this article, all rights on installments used as collateral on unrecovered receivables shall also be transferred to the Agency.

Legal entities or physical persons and their capital associated entities, whose debts towards the Bank are transferred to the Agency, are considered debtors whose liabilities are regulated by this Law.

## Article 21

The collection of Denar receivables as stipulated under article 20 paragraph 5 of this Law is carried out by the Agency.

When collecting receivables, as specified in paragraph 1 of this article, the Agency may arrange premature collection with a discount, sell receivables to third persons or apply other forms to regulate receivables under the conditions set by the Managing Board of the Agency.

Collected receivables under paragraph 1 of this article represent State budgetary revenues.

Documentation on Denar investments under paragraph 1 of this article shall be kept in the Bank. The maintenance, utilization of documents, administrative and record keeping activities related to the above shall be settled with a special agreement between the Agency and the Bank.

## Article 22

One or more branches of the Bank, which represent approximately 10% of the Bank's balance, shall be spun-off into independent banks and become privatized, whereby the private ownership equity capital shall be at least 51% of the total spun-off bank capital.

The formation of independent banks according to paragraph 1 of this article shall be carried out in compliance with the following standards:

- clean and complete balance sheets and fully identified equity capital (assets and liabilities);
- a minimum of 9 million DM equity capital in Denar counter value at the exchange rate of the National Bank;
- total assets on the balance sheets must exceed the Denar counter value of 40 million DM at the exchange rate of the National Bank;
- solvency, positive cash flow and profitable balance and off balance operations;
- competent management, appropriate book-keeping, technical equipment and suitable management information system;
- well-defined development potential;
- other banks, branches or subsidiaries of other banks must exist in the region; and
- preparedness and ability to attract additional capital in the first year of independent operation.

Should the Bank's balance remain 1.8 times larger than the balance of the second largest bank in the Republic of Macedonia following the reduction of the unrecovered receivables amount according to article 20 of this Law, the spin-off of one or more portions from the Bank as independent banks shall continue in compliance with the standards specified under paragraph 2 of this article.

The National Bank shall implement the spin-off procedure of a portion of the Bank and its transformation to independent banks in accordance with the standards stipulated under paragraph 2 of this article and the existing regulations.

## Article 23



Following the spin-off of one or more portions as independent banks, the remainder of the Bank shall be privatized whereby at least 51% of its equity capital shall be owned by private investors.

Physical persons and legal entities with majority private ownership (51% of the founding capital) shall be considered private investors in accordance with paragraph 1 of this article.

#### Article 24

During the restructuring procedure of the Bank, two representatives appointed by the Government of the Republic of Macedonia and one representative appointed by the National Bank shall act as members of the Bank's Managing Board.

Members of the Managing Board appointed by the Government of the Republic of Macedonia have the right to 51% of total decision-making votes.

The decision-making procedure in the Bank's Managing Board based on share ownership in the Bank's founding capital shall be re-established with a decision passed by the Government of the Republic of Macedonia.

The Government of the Republic of Macedonia shall pass the decision under paragraph 3 of this article following the report of the National Bank of Macedonia on the completion of the restructuring procedure of the Bank, which may not exceed one year from the enforcement of this Law.

#### Article 25

During the procedure of restructuring the Bank and until the constitution of its Managing Board, the Governor of the National Bank may impose the following measures on the Bank in addition to those designated in the existing regulations:

- enforcement of certain statutory amendments
- sale of particular portions and fixed assets of the Bank; and
- sale of shares acquired through capital investments in other legal entities.

Further to the measures stipulated under paragraph 1 of this article, the Governor of the National Bank may impose other measures for the efficient completion of the restructuring process of the Bank.

## **VI. ISSUING BONDS**

### Article 26

The Agency shall issue bonds on behalf of the Republic of Macedonia in total amount of 7.100.000.000 Denars for:

- rehabilitation and restructuring of the Bank in the amount of 6.000.000.000 Denars; and
- settlement of selective loans of the National Bank which are off-set with the portion of unrecovered receivables by the Bank in the amount of 1.100.000.000 Denars.

### Article 27

According to this Law, liabilities on bonds shall expire within a period of one year from the maturity date.

### Article 28

The Agency shall issue, register and compute annuities and installments on principal and interest on behalf of the Republic of Macedonia.

### Article 29

The Agency shall prescribe and determine the content, form, text, transfer rights, legal protection regarding collection of principal and interest, and possibilities of exchange with other securities under this Law.

## **A. Bonds for the Bank**

### Article 30

Bonds shall be classified as bearer bonds.

### Article 31

Bonds shall be issued in denominations of 100.000, 500.000 and 1.000.000 Denars.

#### Article 32

Interest shall be computed on the nominal value of bonds at a rate equal to the annual discount rate of the National Bank.

#### Article 33

Payment of principal shall be effected within a 15 year period in equal yearly installments based on annuity coupons included in the bond which will be due for payment April 1 each year commencing April 1, 1996.

Interest on bonds shall be computed and paid on a monthly basis, no later than the fifth day of each month commencing April 1, 1995.

Payment of bonds stipulated under paragraph 1 of this article shall be effected from funds of the budget of the Republic of Macedonia.

### **B. Bonds of the National Bank**

#### Article 34

These bonds shall be classified as registered bonds.

#### Article 35

Bonds shall be issued in denominations of 1.100.000.000 Denars.

#### Article 36

Interest shall not be computed on the nominal value of the bond.

#### Article 37

Payment of principal shall be effected on April 1 in the year 2020.

Payment on bonds under paragraph 1 of this article shall be effected from funds of the budget of the Republic of Macedonia.

## **VII. PENALTY CLAUSES**

### Article 38

The operations of banks that fail to observe the provisions of this Law shall be considered contrary to the measures of the monetary-credit policy that will ensue enforcement of measures in accordance with article 94 paragraph 1 point 3 under the National Bank of Macedonia Law.

### Article 39

Banks which have failed to observe articles 4, 5, 10, 13, 20 and 21 of this Law shall be charged with business violations and fined from 150 to 200 salaries.

The person in charge of the bank who commits a business violation as stipulated under paragraph 1 of this article shall be fined from one to five salaries.

The person in charge of the bank convicted of business violations under paragraph 1 of this article is forbidden to perform managing functions in the bank within a period of two years from the effective date of the sentence.

## **VIII. TRANSITIONAL AND CONCLUDING PROVISIONS**

### Article 40

The National Bank shall prescribe in detail the conditions for enforcement of article 27 under the Banks and Savings Houses Law in order to prevent banks from risky investments.

### Article 41

Should it be required, the Minister of Finance and the Governor of the National Bank shall pass detailed regulations for the enforcement of this Law.

### Article 42

This Law shall enter into force on the date of publication in the Official Gazette of the Republic of Macedonia.