BANKING LAW

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BANKING LAW

I. GENERAL PROVISIONS

Article 1

This Law regulates the founding, operations, supervision and termination of the operations of banks.

Article 2

In the text of the Law the following definitions shall have the following meaning:

1. "Bank" means a legal entity engaged in the business of accepting deposits and using such funds either in whole or in part to make extensions of credit or investments for the account of the bank;

2. "Postal Bank" means a unique legal entity in the Republic of Macedonia established according to the provisions of this Law, with the "Macedonian Post" public enterprise or its legal successor obligatorily being one of the shareholders;

3. "Banking activities" are the following financial activities:
   - accepting deposits,
   - placement of accepted deposits in credits or other investments for the account of the bank and
   - other activities which are by Law exclusively delegated to the banks.

4. "Deposit" means a claim of other entities on the bank in cash, with or without interest or premium of any kind that is to be repaid either on demand or at a certain period, depending on the agreed conditions at the time the deposit was placed;

5. "Related entities" are two or more legal or natural persons which are management, capital or otherwise related, due to which they together determine the business policy and work in coordination with each other in order to obtain usual commercial advantages. They are considered related if one legal or natural person has a significant interest in another legal person.

   Two natural persons are considered related if one of them is a spouse, parent or child to the other natural person.

   The basis for the definition of affiliated entities shall be determined by the National Bank of the Republic of Macedonia.

6. "Subsidiary" means any legal person in which another person or group of persons acting in concert holds:

   (i) the equivalent of fifty percent or more of voting shares;
   (ii) a significant interest

7. "Significant interest" means:

   a) direct or indirect holding of a legal person from another legal or natural person, or acquisition of twenty percent or more of the shares with managing right;
   b) possibility to exercise a significant influence of one or more natural or legal persons over the management and on passing the policies and financial and business decisions in another legal person, or

c) the results of doing businesses of one legal person can have a significant influence on the businesses or the results of the businesses of the other legal person.

8. “Capital” means own funds of a bank defined by the National Bank of the Republic of Macedonia;

9. “Credit” means any commitment to disburse a sum of money in exchange for a right to repayment of the amount disbursed and outstanding and to payment of interest or commission for that amount;

10. “Short-term security” means any security with maturity of up to one year;

11. “Long-term security” means any security with maturity of more than one year;

12. “Equity interest” means any ownership right over the capital invested in the bank or another legal entity, which carries a voting right and payment of dividend, or only right to payment of a dividend;

13. “Recommendation” means giving oral or written advice to banks by the National Bank of the Republic of Macedonia aimed at more efficient realization of tasks or providing information to banks;

14. “Order” means an obligatory directive in implementation of this Law or of regulations issued by the National Bank of the Republic of Macedonia regarding the application of this Law;

15. “Person with special rights and responsibilities” is a person who is a member of the Managing Board, executive body, department manager, or other person with special rights and responsibilities, according to the Statute of the bank including the member of the Auditing Committee and any other person who alone or together with one or more persons is authorized to conclude agreement for the account of the bank.

16. “Guarantee capital” means capital defined by the National Bank of the Republic of Macedonia for regulatory purposes;

17. “Measures” means undertaking actions to correct the infractions, eliminate noncompliance and irregularities in the bank’ operations;

18. “Current account” is an account of a natural person opened with a bank, through which payments are received and disbursements made within the framework of the funds available;

19. “Branch” means a place of business that forms a legally dependent part of a bank and that directly conducts all or some of the financial activities;

20. “Representative office” is a part of a bank or another financial institution without a status of a legal entity. The representative office may conduct a research in the financial and banking operations market, and is not allowed to deal with banking activities.

21. “Financial institution” means a legal entity that is not a bank, but is engaged in one or more of the following activities: extending credits, exchange operations, issuing credit cards, economic and financial consulting, financial leasing, factoring, operations with securities for its own behalf and for behalf of the client, safekeeping, management of securities and precious metal items, insurance activities, etc;

22. “Status changes” pertains to bank mergers and bank break-ups into a number of independent banks, transformation of a savings nouse into a bank "and merger of a savings house with a bank";

23. “Merger of banks” implies a merger of two or more banks, whereby all sides are renounced of their legal identity and a new bank is established, or an acquisition of one bank by another whereby the

joining bank is renounced of its legal identity while the other bank continues to operate under the same legal status.

24."Merger of a savings house with a bank" shall mean consolidation of a savings house with a bank, whereby the consolidated savings house loses the legal identity, and the bank consolidator continues to operate under the same legal status";

25. “Open foreign exchange position” is the net amount of assets between the active and passive on-balance and off-balance sheet items denominated in foreign currency.

26. “Savings deposit” is a cash deposit of a natural person placed with a bank, in Denars or in foreign currency, which may be a sight or term deposit for which the bank issues a savings book, and consists of principle and interest and

27. "Acquiring shares" is payment during the first issue (establishment), buying, inheriting, giving as present, compensation, pledge, court decision and other manners determined by law.

Article 3

Bank is established as a shareholding company on the territory of the Republic of Macedonia, which has obtained a license from the National Bank of the Republic of Macedonia (hereinafter: National Bank) for conducting banking activities.

The word bank, or words deriving from the word bank must not be used in the title of a trading company, or a legal entity, which does not meet the conditions from paragraph 1 of this Article.

Trading company, or another legal entity, the title of which suggests banking activities, and it does not meet the conditions from paragraph 1 of this article shall not be registered in the trade registry.

Article 4

The provisions of this Law also apply to banks established under a separate law, unless otherwise defined by that law.

Article 5

Legal entities and natural persons who do not possess an operating license issued by the National Bank shall be prohibited from engaging in the business of taking deposits.

II. BANK FOUNDING

Article 6

A bank may be founded by domestic and foreign legal entities and natural persons (hereinafter: bank shareholders).

A foreign bank may establish a subsidiary.

Provisions of this Law pertaining to banks shall apply to subsidiaries designated under paragraph 2 of this Article unless otherwise determined by this Law.

Article 7

A bank shareholder cannot be an individual:

- against whom bankruptcy proceedings have been initiated; and
- sentenced to imprisonment, as follows:

a) from the period of effectiveness of the verdict till the day of servicing the sentence and 5 years from the day when he/she serviced the sentence, in the case of conviction up to 3-year imprisonment;
b) from the period of effectiveness of the verdict till the day of servicing the sentence and 10 years from the day when he/she serviced the sentence, in the case of conviction beyond 3-year imprisonment, and

- against whom a security measure prohibiting performance of a profession, activity or duty has been enforced.

In case of deleting the conviction referred to in paragraph 1 indent 2 of this Article, provisions of Article 102 of the Criminal Code shall apply.

Article 8

The decision pertaining to the founding of a bank, a foreign bank subsidiary and Postal Bank, defines the total amount of the capital of the bank required for founding a bank and conducting the activities stipulated under Article 45 of this Law, which amount can not be lower than the Denar equivalent of EURO 3,500,000, according to the middle exchange rate of the National Bank on the date when the application is submitted to the trade register.

For conducting the operations from Article 46 of this Law, the capital of the bank shall not be lower than the Denar equivalent of EURO 9.000.000 according to the middle exchange rate of the National Bank on the date when the application for authorization is submitted.

When establishing a bank, the share of the non-money form of the capital may be up to 10% of the capital.

All additional capital investments are investments of shareholders in money form and are considered as capital of the bank.

A bank shall be obligated to maintain the capital level from paragraphs 1 and 2 of this Article.

Article 9

The participation of an individual shareholder can be a maximum of one third of the amount of bank's shares with managing right.

Based on the evaluation of the National Bank, when a bank establishes a bank, or purchases shares with a bank, the share in the capital may be unlimited.

The term “individual shareholder” from paragraph 1 of this Article addresses all legal and natural persons that according to this Law and the decision of the National Bank are considered affiliated.

Article 10

The amount of preferential shares, without voting right in the Bank, shall not exceed 10% of the total shares in the bank.

The banks are obliged to comply with the provisions of paragraph 1 of this Article within one year after this Law becomes effective.

Article 11

For gradual or one-time acquisition of shares, regardless of whether they are acquired by one or more affiliated persons, whose total cumulative nominal value is 5%, 10%, 20%, 33%, 50% and 75% of the total shares with managing right, directly or indirectly, except in case of acquiring shares by heritage, prior approval must be granted by the National Bank.

In the cases of paragraph 1 of this Article, brokerage houses and the Long-term Securities Stock Exchange must not carry out transaction of shares of a bank for which no consent is provided by the National Bank.

Shares acquired contrary to paragraph 1 of this Article shall not bear voting right and shall be included in the limit stipulated in Article 10 of this Law, and the persons who acquired such shares, or the representatives of such persons, may not be members of the bank's managing bodies.

Each legal entity or physical person intending to, directly or indirectly, to acquire shares or to increase the number of shares it already has, thus exceeding 5% ,10%, 20%, 33%, 50% or 75% of the total number of voting shares in the bank, is obliged to submit request to the National Bank in order to obtain a prior consent.

With respect to the documentation and information attached to the request referred to in paragraph 4 of this Article and the procedure for deciding upon the request, the provisions from Article 15 paragraph 1, items 4, 5, 6, 7, 8 and 9, paragraph 2, paragraph 3 and paragraph 4 of this Law shall be applied accordingly.

The transaction for acquiring the shares shall be carried out within 60 days from the day of obtaining the consent by the National Bank. After this period, procedure for obtaining the consent is mandatory.

The National Bank shall reject the request referred to in paragraph 4 of this Article if:

1) the request does not contain the prescribed documentation;
2) the request contains invalid or false data;
3) The manner in which the entity operates or the nature of the activities indicate high-risk tendency;
4) The financial and economic situation of the entity fail to comply with the value of the shares it intends to acquire;
5) There is a reason to suspect the legality of the money origin, integrity or the real identity of the entity;
6) The entity reject or has rejected the request of the National bank to participate in rehabilitation of the existing bank in which it has shares;
7) Estimates the bank be included in a group that fails to enable adequate supervision, and
8) Estimates that acquiring shares shall lead to undesired development of the financial system.

The Governor of the National Bank shall pass decision upon the request referred to in paragraph 4 of this Article within 90 days from the date the request was submitted.

Complaint may be lodged against the decision referred to in paragraph 8 of this Article within 8 days from the date it was received. The Council of the National Bank shall decide upon the complaint, without the participation of the Governor and the Vice-Governors of the National Bank.

Article 11-a

The person acquiring, via heritage, gradually or at once, shares, the total cumulative nominal amount of which is 5%, 10%, 20%, 33%, 50% or 75% of the total number of voting shares in a bank, regardless whether the shares were acquired by one or more related persons, directly or indirectly, shall be obliged, within 10 days from the date the decision on inheritance comes into effect, to submit request to the National Bank for acquiring consent for the occurred change.

With reference to the documents and information attached to the request referred to in paragraph 1 of this Article, and the procedure for their assessment, the provisions from items 4, 5, 6, 7, 8 and 9 of paragraph 1, paragraphs 3 and 4 of Article 15 of this Law, shall be applied respectively.

In cases referred to in paragraph 1 of this Article, the Central Securities Depositary shall not make subscription of shares for which the request referred to in paragraph 1 of this Article, has not been presented.

The Governor of the National Bank shall pass decision upon the request referred to in paragraph 1 of this Article within 90 days from the date the request was submitted.

The National Bank shall reject the request referred to in paragraphs 1 of this Article in cases determined with Article 11 paragraph 7 of this Law.

Complaint can be lodged against the decision referred to in paragraph 5 of this Article within 8 days from the date it was received. The Council of the National Bank shall decide upon the complaint, without the participation of the Governor and the Vice-Governors of the National Bank.

The shares referred to in paragraph 1 of this Article, for which the person shall not acquire consent by the National Bank, shall not have voting right, and fall within the limit referred to in Article 10 of this Law, and the person that has acquired these shares, or his/her representatives, cannot be members of the management bodies in the Bank.

Article 11-b

Each legal entity or physical person intending to reduce the participation of the voting shares in a bank is obliged to inform the National Bank when:

1) the share for which it reduces the participation provides it with voting right of above 5 percentage;

2) the reduction of the participation will result in reduction of its voting right below 10%, 20%, 33%, 50% or 75%.

Article 12

A bank acquires the status of a legal entity after it has been entered in the trade registry.

The application for entry in the trade registry is submitted within 15 days from the date when the decision on founding and operation of the bank was passed.

The following documents are enclosed with the application for entry in the trade registry:

1. Decision on founding the bank;

2. Statute of the bank;

3. License issued by the National Bank;

4. Evidence for the funds being paid in as capital into a temporary account with the payment operations institution, i.e. evidence that the foreign legal entity or natural person has paid up the amount in foreign currency into a special account with the National Bank;

5. Evidence that the bank shareholders have transferred the non-money assets entitled as capital of the bank to the ownership of the bank;

6. Other documents in compliance with the regulations on registration in the trade registry.

Parts of the bank are also entered in the trade registry, in compliance with the regulations for entry in the trade registry.

Article 13

Within 15 days after entry in the trade registry, the bank is obliged to submit to the National Bank a copy of the verified registry application supported with the documentation submitted for entry in the trade registry.

1. Founding and operating license

Article 14

A license from the National Bank is obligatory for founding and operation of a bank.

Article 15

The founders of the bank shall submit request to the National Bank for issuance of license for establishment and working license of the bank. The request shall contain the following documents and information:

1) Draft Incorporation Act;
2) Detailed operations plan
3) Proposal of name of the bank;
4) Amount of capital and a statement that the funds will be paid;
5) Sources of funds for payment of capital;
6) Certificate from competent institution for regular payment of public fees
7) Information on the identity of the founders and the number of shares of each of them;
8) Documented proof for suitability of the founders from the point of view of stability of the bank;
9) Proof for the financial condition of the founders;
10) Information on the identity, education and experience of the management body, including professional history for the last five years;
11) Organizational structure of the bank;
12) Financial activities to be carried out by the bank;
13) Projection of the financial reports for the next three years;
14) documentation connected with Article 7 of this Law; and
15) Information on IT system and the technical equipment of the bank.

The legal entities, founders of a bank, whose amount of shares exceeds 5%, 10%, 20%, 33%, 50% and 75% of the total number of voting shares in the bank, in addition to the document and information referred to in paragraph 1 of this Article, shall also attach the following to the request:

1) Incorporation Act and statute of the legal entity and list of the persons - members of the management bodies
2) List of persons who within the legal entity have more than 10% of the shares, i.e. stakes;
3) list of companies in which the legal entity has more than 10% of the shares, i.e. stakes;

In addition to the listed documents and information referred to in paragraph 1 and 2 of this Article, the National Bank may request supplementary information and documents.

The type and the manner of submitting the documents and information referred to in paragraph 1 and 2 of this Article and the procedure for their assessment shall be stipulated by the National Bank.

Following the application from paragraph 1 of this Article, the Governor of the National Bank takes a Decision on granting a temporary license or rejecting the license application within three months from the date the completed documentation was submitted to the National Bank.

The Governor of the National Bank shall reject the request in the cases referred to in Article 11 , paragraph 7, items 2, 3, 4, 5, 6, 7 and 8 of this Law.

Appeal may be filed against the Decision under paragraph 5 of this Article within 8 days upon the receipt of the Decision. The Council of the National Bank of the Republic of Macedonia shall resolve appeals without participation of the Governor and the Vice-Governors of the National Bank.

When taking the Decision from paragraph 5 of this Article, the Governor of the National Bank shall assess whether the bank shall be organized and shall operate in compliance with the legal regulations and prescribed supervisory standards, the skills, experience and integrity of the executive body and bank shareholders, the feasibility of the business plan and the projection of financial statements.

If the application stipulated under paragraph 1 of this Article does not contain the prescribed documentation, the Governor of the National Bank shall reject the application by a decision.

An appeal against the decision from paragraph 9 of this Article may be filed within eight days upon its receipt. The National Bank of the Republic of Macedonia Council shall resolve appeals without participation of the Governor and the Vice-Governors.

Article 16

The temporary license lists the conditions which the bank should meet in order to obtain founding and operating license, as follows:

1. Payment of capital;
2. Passing of a draft statute;
3. Data on the education and the experience of the persons with special rights and responsibilities, including the professional background for the past five years;
4. Plan of employment with qualification structure and training of bank’s staff;
5. Renting or purchasing business premises and equipment, and establishing an operative system including internal control and audit;
6. Development of written policies and procedures for bank's operations; and
7. Engagements of an authorized external auditor.

Article 17

The bank is obliged to meet the conditions from the temporary license within a period of six months following the issuance of temporary license, and submit written proofs to the National Bank.

On the basis of the evaluation of the bank’s compliance with the terms set in the temporary license, the Governor of the National Bank, takes a decision for issuing a full license for founding and operation of a bank.

The Decision referred to in paragraph 2 of this Article shall contain:

1) Name and headquarters of the bank
2) Names of the founders and number of shares they have;
3) Amount of capital of the bank;
4) Activities it can perform; and
5) Certificate for the statute of the bank.

The bank is not allowed to perform financial activities that are not specified in the Decision referred to in paragraph 2 of this Article.

"The Statute of the bank has to be in compliance with the Decision referred to in paragraph 2 of this Article."

If the bank does not meet the conditions from the temporary license within six months, the Governor of the National Bank shall take a decision for termination of the temporary license.

An appeal against the Decisions from paragraphs 2 and 6 of this Article may be filed within eight days upon their receipt. The National Bank of the Republic of Macedonia Council shall resolve appeals without participation of the Governor and the Vice-Governors of the National Bank.

Article 18

The shareholders adopt a decision on founding a bank within 30 days from the date they received the decision from Article 17 paragraph 2 of this Law.

The bank is obliged to commence operations within 90 days after the decision of Article 17 paragraph 2 is taken.

Article 19

Founding and operating license for foreign bank subsidiary is issued on the basis of the same procedure as for issuing founding and operating license for a bank.

In addition to the documentation and information from Article 15 paragraphs 1 and 2 of this Law, the following shall be enclosed to the application for granting a license for founding and operation of a subsidiary of a foreign bank:

1. Proof that the foreign bank is authorized to collect deposits and other sources of funds within the home country,

2. Approval issued by the supervisory body of the home country for founding a subsidiary;

3. Evidence that the supervision of the foreign bank conducts adequate supervision on a consolidated basis.

Article 20

A registry of banks is opened with the National Bank, containing main information about the bank: name, address, headquarters and executive body.

The registry from paragraph 1 of this Article is publicly filed.

2. License for status changes

Article 21

For status changes of a bank, a license granted by the National Bank is obligatory.

The application for granting a license for status changes contains documentation determined by the National Bank.

The Governor of the National Bank takes a decision to grant a license or to reject the license application within three months from the date of submission of a complete documentation to the National Bank on a basis of the application from paragraph 2 of this Article.

An appeal against the decision from paragraph 3 of this Article may be filed within eight days upon its receipt. The National Bank Council shall resolve appeals without participation of the Governor and the Vice-Governors of the National Bank.

3. Revocation of the founding and operating license

Article 21-a

The bank is obliged to pass a Decision on status changes within 30 days from the date of receipt of the license referred to in article 21 paragraph 3 of this Law.

The bank is obliged to submit an application for registration of the status change in the trade registry within 15 days from the date of submission of the Decision referred to in paragraph 1 of this Article.

Within 15 days from the date of registration of the status change in the trade registry, the bank is obliged to submit to the National Bank a copy of the Decision on registration together with the documentation that has been submitted for registration of the status change in the trade registry.

Article 22

The Governor of the National Bank may take a decision to revoke the founding and operating license of a bank if determined that:

1. the operation license is obtained on the basis of false data;

2. the bank has failed to take a decision on its founding within 30 days upon receipt of the decision stipulated under Article 17, paragraph 1 of this Law, i.e. decision on status changes within 30 days from acquiring the licence referred to in Article 21 paragraph 3 of this Law;

3. the bank has failed to submit an application for entry in the trade registry within the specified period;

4. the bank has failed to commence operation within ninety days following the issuance of the full founding and operating license;

5. the bank does not operate in compliance with the issued license and the provisions of this Law;

6. the bank does not fulfill the technical, organizational, personnel and other conditions for conducting banking activities, in compliance with the standards determined by the National Bank;

7. an approval for appointment of an executive body of the bank has not been granted for more than six months;

8. the bank has not conducted banking activities for more than one year;

9. the bank violates the obligation for timely and correct reporting and informing the National Bank according to Article 26 of this Law and the deadlines for submitting the reports, determined by the National Bank, which impairs the off-site monitoring of the bank;

10. the parent bank of the subsidiary ceased its operations on any grounds;

11. the bank's capital has been decreased below the level defined in Article 8, paragraph 1 of this Law, and

12. the bank does not implement or acts contrary to the measures from Article 85, paragraph 1 items 5, 6, 7, 9 10, 22, 24 and 29 of this Law.

An appeal against the decisions from paragraph 1 of this Article can be filed within eight days upon its receipt. The National Bank Council shall resolve appeals without participation of the Governor and the Vice-Governors of the National Bank.

After passing the decision from paragraph 1 of this Article until the decision for determining the conditions for introduction of a liquidation procedure, or a decision for determining the conditions for introduction of a bankruptcy proceedings is passed, the bank ceases the conduct of banking activities, except for collection of claims through its giro account.

4. Notification on issuing and revoking a bank operation license

Article 23

The National Bank shall notify the Ministry of Finance in writing on any issuing and revoking of bank operating license and status changes license within seven days from the date when the decision on issuing or revoking of bank operating license becomes final.

The notification under paragraph 1 of this Article shall contain the following information:

1. name and headquarters of the bank;
2. name of the Executive body;
3. name and head office of the shareholders in possession of shares with voting right of more than 5% of the total number of the shares with voting right;
4. list of activities of the bank;
5. date of issuance or revocation of the license; and
6. reasons for revocation of the license.

" The National Bank shall also inform the Ministry of Finance of all changes in terms of (with respect to) paragraph 2 items 1, 2, 3 and 4 of this Artcile".

Article 24

The National Bank is obliged to announce the issuance or revocation of a bank founding and operating license through the mass media within seven days from the issuance date, i.e., from the date the decision on revoking the founding and operating license becomes final.

4. Issuing an approval and notifying the National Bank

Article 25

The bank must not perform the following without prior consent by the Governor of the National Bank:

1. Change in the bank Statute;

2. Appointment of executive body;

3. The establishing of a bank and opening of a branch, a subsidiary or a representative office abroad;

4. Bank's capital investments in another bank;
5. Capital investments of a bank in financial or non-financial institution in the country or abroad amounting more than 10% of the guarantee capital of the bank**,** except for capital investments of a bank in other bank and for establishing a brokerage house authorized for trading on its behalf and for its own account, for which a prior consent of the National bank is necessary, regardless the amount of the investment in terms of the guarantee capital.

6. Changes in the name, headquarter and address of the bank;

7. Establishing a brokerage house trading on its behalf and for its account;

8. Amendment to the Decision on issuing a license for founding and operation of a bank in the part referred to in Article 17, paragraph 3, items 2 and 4 of this Law, and

9. The policy of reliability of the bank's information system.

The procedure and documentation required for granting an approval from paragraph 1 of this Article shall be prescribed by the National Bank.

"With respect to items 1, 2 and 8 referred to in paragraph 1 of this Article, the provisions referred to in Article 11, Article 15 and Article 46 paragraphs 2 and 3 of this Law shall be applied accordingly."

The National Bank shall prescribe standards for preparing and implementation of reliability of the information system of the bank.

The application for granting the approval from paragraph 1 of this Article that is not complete shall be rejected by decision of the Governor of the National Bank.

The Governor of the National Bank is obliged to take a decision based on the complete application for approval, stipulated under paragraph 1 of this Article, within 30 days from the submission date of the application.

If the Governor of the National Bank fails to take a decision within the period stipulated under paragraph ~~5~~ **6** of this Article, it shall be considered that the bank has been granted the approval.

Against the decision referred to in paragraphs 5 and 6 of this Article, the bank may file an appeal within 8 days upon receipt of the decision. The National Bank Council shall resolve appeals at its following session without participation of the Governor and the Vice-Governor of the National Bank.

After the decision referred to in paragraph 8 of this Article, and in connection with paragraph 1, item 5 of this Article, passed on the basis of a non-submitted appropriate evidence of the source of funds, becomes final, the National Bank shall immediately inform the Anti-Money Laundering Department.

If the activities from paragraph 1, items 2 and 7 of this Article are not conducted within the framework of the granted approval, the Governor of the National Bank may revoke the approval.

Article 26

The bank is obliged to notify the National Bank on:

1. Increase in the bank's capital, i.e., of new issues of shares;
2. Changes in the ownership structure of the shares with voting right;
3. Large credit exposure;
4. Establishment and ceasing of the operations of sections of the bank in the country;
5. Abolishment of a bank, branch, subsidiary or representative office abroad;
6. Changes in the bank bodies;
7. Bank's capital investments in financial or non-financial institution in the country or abroad amounting less than 10% of the guarantee capital of the bank;

The bank is obliged:

1) to notify the National Bank on the instances stipulated under paragraph 1 items 1, 3, 4, 5, 6 and 7 of this Article within five days from their occurrence, and
2) to submit monthly reports with the respect to the changes referred to in paragraph 1 item 2 of this Article to the National bank by the 10-th in the current month for the previous month.

"The legal entity or the physical person that acquired below 1% of the voting shares in the bank is obliged, with respect to the changes referred to in paragraph 1 item 2 of this Article, to inform the National bank within 5 days from the registration of the change in the Central Securities Depository.

The legal entity or the physical person that acquired from 1% to 5% of the voting shares in the bank is obliged, with respect to the changes referred to in paragraph 1 item 2 of this Article, to inform the National bank within 5 days from the registration of the change in the Central Securities Depository and to submit documented proof for the source of the funds.

The Governor of the National Bank shall determine by a decision that the shares for which no evidence for the source of funds has been submitted or an inappropriate evidence is submitted shall not bear voting right and shall be included in the limit stipulated in Article 10 of this Law, and the persons who acquired such shares, or the representatives of such persons, may not be members of the bank's managing bodies.

An appeal against the decision from paragraph 5 of this Article may be lodged within eight days from the date the decision was received. The National bank Council shall resolve the appeal without participation of the Governor and the Vice-Governors of the National Bank.

After the decision from paragraph 5 of this Article becomes final, the National Bank shall immediately inform the Anti-Money Laundering Department.

III. SUPERVISORY STANDARDS

Article 27

The bank is obliged to provide adequate level of capital which corresponds to the type and scope of financial activities and the amount of risks deriving from the conduct of those activities.

The bank is obliged to maintain the exposure to certain types of risks within the limits stipulated under this Law and the supervisory regulations of the National Bank.

1. Solvency and capital adequacy

Article 28

The National Bank defines the obligations pertaining to solvency maintenance and undertakes measures against insolvent banks.

Article 29

The National Bank determines:

- methodology for calculation and determination of the guarantee capital of the bank;
- methodology for calculation and determination of the risk weighted assets of the bank.
- methodology for calculation and determination of the open foreign exchange position and the relation between the open foreign exchange position and the guarantee capital.

Article 30

The rate of capital adequacy represents the ratio between the guarantee capital and the risk-weighted assets.

The bank shall maintain capital adequacy ratio not lower than 8 percent.

Postal Bank shall maintain capital adequacy ratio, not lower than 16 percent.

The National Bank may prescribe a higher percentage than stipulated under paragraph 2 of this Article, however not exceeding 16 percent.

2. Determination, evaluation and management of risk and allocation of reserves

Article 31

The National Bank shall prescribe the manner of determining, evaluating and managing risks by:

1. determining the criteria for classification of active balance sheet and off-balance sheet items in order to evaluate the level of credit risk that the bank faces,

2. prescribing the limits of exposure to the exchange rate risk and the manner of managing this type of risk,

3. prescribing a methodology for determining, evaluating and managing liquidity risk;

4. prescribing a methodology for determining, evaluating and managing country risk, and

5. prescribing a methodology for determining, evaluating and managing other types of risk the bank faces.

Article 32

Reserves of the bank are own funds of the bank, which serve to cover the losses deriving from the risks, with which the bank faces with during its operations.

Reserves of the bank are formed from the part of the profit and reevaluation reserves on the basis of a decision of the bank's Assembly.

Article 33

In order to cover potential losses deriving from certain risk active balance sheet and off-balance sheet items, the bank shall allocate special reserves.

The amount of the special reserve is determined in a manner and amount prescribed by special methodology developed by the National Bank.

6. Credit exposure and investment of the bank

Article 34

The credit exposure of the bank covers the total balance sheet claims and off-balance sheet items.

The term "balance sheet claims" covers credits, accrued and non-accrued interest, purchased securities, capital investments of the bank, and other claims.

The term "off-balance sheet items" covers letters of credit, guarantees and other potential claims of the bank.

Article 35

Credit exposure to a single borrower shall not exceed 25 percent of the guarantee capital of the bank.

Credit exposure to a single shareholder of the bank, owner of shares with managing right participating with over 5 percent of the total number of shares with managing right, and to a single company in which the bank has capital investments shall not exceed the limit of 10 percent of the bank's guarantee capital.

Credit exposure to an executive body of the bank, members of the Managing Board, and other bank bodies and persons with special rights and responsibilities, shall not exceed the limit of 3 percent of the bank's guarantee capital.

The total amount of credit exposure under paragraphs 2 and 3 of this Article shall not exceed the bank's guarantee capital.

Credits and other forms of credit exposure under paragraphs 2 and 3 of this Article are approved on the basis of a decision adopted by a bank body responsible for credit approvals.

The terms and conditions for approving loans and other forms of credit exposure, collecting deposits and providing other financial services to the entities under paragraph 2 and 3 of this Article shall not be more favorable than the terms and conditions for other clients.

Article 36

Large credit exposure to a single borrower is an exposure equal or higher than 10 percent of the bank's guarantee capital.

The total amount of a large credit exposure may not exceed an amount eight times higher than the bank's guarantee capital.

The conditions for implementation of the provisions of this Article and Article 35 of this Law are prescribed by the National Bank.

The term "single borrower" from Article 35 of this Law and paragraph 1 of this Article pertains to all legal and natural persons that according to this Law are considered affiliated.

Article 37

A bank is obliged to adjust its credit procedures and regulation of overdue claims to the supervision standards determined by the National Bank, in compliance with the existing regulations.

Article 38

A bank can not extend a credit or engage in other type of credit exposure, which shall be directly or indirectly used for purchasing shares in that bank.

The bank shall not extend credit or engage in other type of credit exposure with collateral of borrower's shares in that bank.

A bank can purchase shares issued by the bank itself up to 10 percent of the bank's total shares.

A bank is not allowed directly or indirectly to acquire more than 5 percent of the shares in another bank that already owns equity share in that bank higher than 5 percent.

Article 39

The property of a bank in land, buildings, equipment, and capital investments in other banks, financial and non-financial institutions may not exceed 60 percent of the bank's guarantee capital.

The Bank must not acquire land and buildings it does not use to perform its functions.

The aggregate amount of the capital investments in other banks, non-banking financial organizations and non-financial institutions may not exceed 30 percent of the bank's guarantee capital.

A single capital investment of a bank in a non-financial institution may not exceed the equivalent of 15 percent of the bank's guarantee capital.

The limits stipulated under paragraphs 1, 2, 3 and 4 of this Article exclude the property in land, buildings and equipment acquired on the basis of uncollected claims, which the bank does not use for performance of its functions, and equity shares obtained on the basis of uncollected claims.

The bank is obliged to sell the property and the equity shares from paragraph 5 of this Article within a period of three years upon their acquisition, otherwise they are subject to the limit from paragraph 1, 2, 3 and 4 of this Article.

"Within the determined limit referred to in paragraphs 1 and 3 of this Article, the capital parts shall not be included in the companies managing with pension and investment funds and companies established by banks and savings houses for collecting and giving information on approved credits, advance payments and guarantees by the banks and the saving houses."

4. Bank liquidity

Article 40

The bank is obliged to manage its assets and liabilities in a manner that provides settlement of due liabilities at all times.

Article 41

The illiquid bank is not allowed to make payment of orders of the bank from its giro-account, i.e., orders of its clients.

Article 42

The National Bank specifies the obligations related to the maintenance of the liquidity of banks and undertakes measures against illiquid banks.

5. Open foreign exchange position

Article 43

A bank is obliged to maintain an open foreign exchange position within the level prescribed by the National Bank.

The National Bank determines the calculation procedure for the open foreign exchange position and the relation between the open foreign exchange position and the guarantee capital.

IV. FINANCIAL ACTIVITIES

Article 44

A bank may operate on its behalf and for its own account, on its behalf and for the account of others, and on behalf and for the account of others.

Article 45

The bank founded with capital in the amount of Denar equivalent of EURO 3.500.000 may perform the following financial activities:

1. accept all kinds of money deposits from legal entities;
2. accept all kinds of money deposits from natural persons;
3. grant and take loans in the country;
4. exchange operations;
5. issuance of credit cards;
6. issue electronic money;
7. financial leasing;

8. domestic payment operations in compliance with the law;

9. economic and financial consulting;

10. provide services in collection of invoices, maintenance of records;

11. provide other financial services (depositories, leasing safes etc.)

12. issuance of Denar cash guarantees, backing guarantees, and other forms of guarantees;

13. purchase and sale of short-term securities for its account or for the account of a client;

14. purchase, sale and collection of claims.

Article 46

The bank founded with capital in the amount of Denar equivalent of EURO 9 million, besides the financial activities from Article 45, may perform the following financial activities,:

1. payment operations abroad;

2. credit and guarantee operations with abroad;

3. factoring for the account of clients;

4. trading with securities for its own account and for the account of clients;

5. trading with foreign currency, and conducting foreign currency transactions;

6. trading with financial derivatives;

7. safekeeping and managing securities and precious metal objects;

8. underwriting of securities; and

9. providing custodian services.

" Special consent by the National Bank is mandatory with respect to the activities referred to in Article 45 paragraph 1 items 2, 4 and 8 of this Law, and to the activities referred to paragraph 1 of this Article the bank performs abroad, as well as for intermediary operations with negotiable securities ."

The documentation, procedure and criteria for issuance of consent referred to in paragraph 2 of this Article shall be determined by the National Bank.

The bank may not directly perform any activities in the area of industry, trade or other activities except the financial activities stipulated under Article 45 of this Law and paragraph 1 of this Article.

Article 47

Apart from the activities stipulated in Articles 45 and 46 of this Law, which may be conducted depending on the amount of capital, the Postal Bank performs the following activities:

1. Computes and controls payments through postal and telegraphic money orders in the inland payments system;

2. Renders services related to international money orders, postal checks, postal savings, and redeems;

3. Collects security payments in other countries, in compliance with the World Postal Association for Collection of Securities Act;

4. Executes payments operations abroad, in compliance with the law;

5. Issues payment cards to effectuate the functions of the founder;

Article 48

Republic of Macedonia is in possession of a golden share in the Postal Bank.

In case of privatization of at least 51 percent of the capital of the "Macedonian Post Offices" Public enterprise, Republic of Macedonia retains the right from the golden share for a period of 12 months after the privatization.

The golden share provides a dominant voting right for the Government of the Republic of Macedonia on the following issues:

1. change of ownership in the Postal Bank;

2. merger, division and cessation of the operations of the Postal Bank;

3. quotation of the shares of the Postal Bank on the Stock Exchange;

4. undertaking of obligations for the account of the Postal Bank exceeding 10 percent of the capital of the Postal Bank;

5. establishing parts of the Postal Bank abroad;

6. equity investments abroad; and

7. investment policy of the Postal Bank.

Article 49

Provisions of this Law related to banks are applied to the Postal Bank, unless otherwise stipulated by law.

1. Savings deposits

Article 50

At the moment of payment the bank issues a special document - a savings book, or other suitable document, depending on the kind of deposit - for Denar and foreign exchange deposits of natural persons (hereinafter: savings deposits).

If the bank fails to issue the document from paragraph 1 of this Article the National Bank takes a decision on revoking the part of the license regarding acceptance of savings deposits and requires from the authorized court requires exclusion of those operations from the registry.

The National Bank is obliged to announce in the mass media and to display in the bank's premises the decision from paragraph 2 of this Article.

Legal entities and charity organizations cannot have savings books.

Article 51
The business policy acts of the bank determine the manner and terms of opening and withdrawing savings deposits.

Article 52
The bank is obliged to quote in its tellers' premises the copies from the decision of the National Bank for granting of a founding and operating license, the interest rates in effect, the general terms of handling the savings deposits, and the type and amount of guarantee for the savings deposits.

2. Protection against money laundering

Article 53
The bank shall not take deposits, nor effect orders for payments, or transfer of funds, or other property, if it reasonably suspects or undoubtedly identifies that the funds derive from criminal activities.

The knowledge referring to paragraph 1 of this Article can be inferred from objective factual circumstances.

The bank shall inform the authorized Anti-Money Laundering Department of the suspicion or knowledge described in paragraph 1 of this Article and shall provide, at the authorities request, additional relevant information, in accordance with the applicable legislation.

V. BANK BODIES AND BANK MANAGEMENT

Article 54
Bank bodies are the Assembly, the Managing Board, the Executive Body, the Risk Management Committee, the Auditing Committee and other bodies specified by the Statute.

1. Assembly

Article 55
The shareholders of the bank, i.e. their representatives, constitute the Bank Assembly.

The shareholders of the bank, have the right to vote depending on the number of shares with managing right.

Article 56
The Bank Assembly performs the following activities:

1. Adopts the Statute and the amendments to the bank Statute;

2. Verifies the business policy and the development plan of the bank, determined by the Managing Board;

3. Reviews and adopts the report on the operation of the bank;

4. Adopts the annual statement of the bank;

5. Verifies or refuses the proposed decision of the Managing Board on the use and allocation of the realized profit, i.e. the coverage of losses;

6. Decides on new issuance of shares;

7. Decides on status changes and termination of bank operation;

8. Appoints members of the Managing Board of the bank;

9. Gives its consent for the appointment of an authorized auditor by proposal of the Managing Board;

10. Verifies the list of net debtors of the bank identified by the Managing Board;

11. Decides on other issues of relevance to the operation of the bank specified in the bank Statute and the Law on Trade Companies.

Article 57
The bank Assembly meets at least once a year.

2. Managing Board

Article 58
The Managing Board of the bank consists of minimum of 5 and a maximum of 9 members.

The term of office of the members of the Managing Board is four years.

Majority of the members of the Managing Board shall not be employees of the bank.

A member of the Managing Board of a bank cannot be a person:

1. who is a member of the Council of the National Bank;

2. who is employed in the National Bank;

3. who is convicted to imprisonment as follows:

   - in the period from the validity of the verdict to the day the sentence is served, and 5 years from the date the sentence has been served, in case of conviction with decree absolute on up to 3 years of imprisonment;
   - in the period from the validity of the verdict to the day the sentence is served, and 10 years from the date the sentence has been served, in case of conviction with decree absolute on over 3 years of imprisonment.

4. to whom security measure has been enforced - prohibition to carry out profession, activity or duty during the validity of the measure;

5. who is a net debtor of the bank, determined in accordance with the Methodology stipulated by the National Bank, and

6. has acquired shares contrary to Article 11 paragraph 1 and Article 26 paragraph 3 and 4 of this Law.

In case of deleting the verdict referred to in item 3, paragraph 3 of this Article, the provisions from the Criminal Code shall be applied respectively.

The members of the Managing Board shall appoint a President of the Managing Board among the membership.

The Managing Board shall meet not less than once per month.

Article 59

The Managing Board establishes policies for conducting financial activities and supervises their implementation.

The Managing Board is responsible for the stability and efficiency of the bank and for the protection of the bank depositors.

The Managing Board and bank employees have a fiduciary duty to the bank that they serve and to the bank's customers to place the bank's interests and its customers' interests before their own pecuniary interest.

The Managing Board performs the following activities:

1. Determines the business policy of the bank and passes the development plan;

2. Determines the policy of reliability of the information system;

3. Adopts plans, operative programs, and general bank acts, with the exception of the regulations adopted by the Bank Assembly;

4. Develops proposals of the acts that are adopted by the Bank Assembly and administers the regulations;

5. Reviews and adopts reports on the operation of the bank in the course of the year;

6. Proposes a Decision to the Assembly about the use and distribution of profit, i.e. the coverage of losses;

7. Determines the list of net debtors of the bank;

8. Analyzes the reports on the completed supervisory controls and other reports delivered by the National Bank;

9. Undertakes measures against the executive body and gives proposals to the Bank Assembly to undertake measures within its jurisdiction in the case of illegal business transactions of the bank or other activities that might pose a threat to its stable, safe and profitable business operations;

10. Approves capital investments and purchases of securities greater than 5 percent of the guarantee capital of the bank with the exception of purchases of securities of the National Bank and government securities;

11. Gives proposals to the Bank Assembly for the appointment of an authorized auditor;

12. Submits an operation report to the Bank Assembly;

13. Convenes sessions of the Bank Assembly and proposes the agenda of the Assembly;

14. Decides on issuing other securities except shares;

15. Proposes issuance of shares to the Assembly;

16. Appoints and dismisses the Executive Body of the bank;

17. Organizes the Risk Management Committee;

18. Organizes the internal audit in the bank, determines the scope of its activities and the budget; and

19. Performs other activities stipulated in the bank Statute and activities that are not under the jurisdiction of the Bank Assembly.

3. Risk Management Committee

Article 60

The Risk Management Committee consists of three members of the Managing Board.

The members of the Risk Management Committee shall have university degree and experience in the area of finance or banking of at least three years.

The Risk Management Committee shall:

1. establish and monitor the implementation of policies and procedures for evaluation of credits and their management;

2. establish and monitor the implementation of credit policies and procedures prescribed by the National Bank;

3. establish and monitor the implementation of procedures and policies for assets and liabilities management prescribed by the National Bank;

4. monitor the classification of risk assets and adequate allocation of loan loss reserves prepared by the bank's departments;

5. propose measures and activities for collection of claims which have received a status of problem claims;

6. approve credit exposure towards a single borrower exceeding 10 percent of the guarantee capital;

7. establish and monitor implementation of policies and procedures for management of the interest rate risk and other markets risks;

8. gives opinion on any issues within their responsibility raised by the Managing Board.

The Risk Management Committee shall meet at least once per month or more frequently upon request of the Managing Board, or at least two of its members.

The decisions of this Committee shall be adopted with the majority of the members of the Committee.

The Risk Management Committee shall submit a report on its operations to the Managing Board at least once a month.

4. Auditing Committee

Article 61

The auditing committee consists of 3 members with a mandate of two years. A member of the Managing Board shall not be a member of this Committee, and one of the members of this Committee may be employee of the bank, unless it is a person with special rights and responsibilities**.** At least one member of the Committee shall be an authorized auditor or authorized accountant.

The members of the Auditing Committee shall be appointed by the Bank Assembly.

The Auditing Committee shall establish appropriate accounting procedures and shall control the compliance of these procedures with this Law and other regulations. The Auditing Committee reports to the Managing Board on any issues related to its competencies and gives opinions on issues raised by the Managing Board.

The Auditing Committee may employ experts, at the expense of the bank, to assist in the full and efficient completion of the duties of this Committee.

The Auditing Committee shall meet at least once quarterly, or more frequently upon request of the Managing Board, or at least two of its members.

The decisions of this Committee shall be adopted with the majority of the members of the Committee.

The Auditing Committee shall inform the Bank Assembly about its activities, at least once a year.

5. Executive Body

Article 62

The Executive Body of a bank shall include at least two persons who are equally responsible for the banking businesses and the liabilities of the bank. The Statute of the bank determines which of the members of the Executive Body will represent the bank.

The candidate for an Executive Body of the bank shall have the following qualifications:

1. university degree,

2. successful work experience of a minimum of 5 years in the area of finance or banking or 3 years of work experience as a person with special rights and responsibilities in a bank, and

3. knowledge of banking law and regulations.

An Executive Body shall not be a person:

1. who is a manager or president of any trade company or legal entity,

2. who is a member of the National Bank Council,

3. who is convicted to imprisonment as follows:

   - in the period from the validity of the verdict to the day the sentence is served, and 5 years from the date the sentence has been served, in case of conviction with decree absolute on up to 3 years of imprisonment;
   - in the period from the validity of the verdict to the day the sentence is served, and 10 years from the date the sentence has been served, in case of conviction with decree absolute on over 3 years of imprisonment.

4. to whom security measure has been enforced - prohibition to carry out profession, activity or duty during the validity of the measure;

and

5. has acquired shares contrary to Article 11 paragraph 1 and Article 26 paragraphs 3 and 4 of this Law.

In case of deleting the conviction referred to in paragraph 3 item 3 of this Article, provisions of the Criminal Code shall apply accordingly.

Members of the Executive Body shall be full-time employees of the bank, and at least one of the members of the Executive Body shall be fluent in Macedonian language and its Cyrillic alphabet.

The Managing Board of a bank may not appoint the Executive Body of the bank without prior approval from the National Bank.

Article 63

The Executive Body of the bank:

1. Manages the operation of the bank;

2. Represents and acts on behalf of the bank;

3. Carries out the decisions of the Assembly and the Managing Board of the bank, and monitors their enforcement;

4. Initiates and proposes improvements in the operations of the bank; and

5. Appoints and dismisses the bank employees with special rights and responsibilities in accordance with the bank Statute.

Article 64

The Executive Body of the bank is responsible for the lawful operation of the bank.

The Executive Body of the bank is accountable for its work to the Managing Board.

Article 65

Should the persons with special rights and responsibilities determine that the decision of the bank bodies is in collision with the law, or with the regulations based on the law, or that the decision may jeopardize the liquidity of the bank, they are obliged to notify in writing the Bank's Steering Committee thereof.

6. Internal Bank Audit

Article 66

The Managing Board of a bank is obliged to set up a department for internal audit, as an independent operational unit.

The department stipulated under paragraph 1 of this Article is engaged in permanent and complete control of the legitimacy, accuracy and promptness of the bank's operation through:

1. monitoring of the implementation of the internal procedures and polices;

2. assessment of the overall efficiency in the banking operations; and

3. monitoring of the compliance with the legal provisions.

The department stipulated under paragraph 1 of this Article notifies the Managing Board of the bank on the performed control and possible risks to financial position of the bank.

The employees of the department stipulated under paragraph 1 of this Article shall perform only the activities of the office and at least one of them shall be authorized auditor.

Article 67

The Statute of the Bank shall more closely define the number, structure, authorizations, rights, duties and responsibilities of the Bank bodies, as well the number, authorizations, rights, duties, responsibilities and conditions for appointing the persons with special rights and responsibilities.

7. Conflict of Interest

Article 68

Persons having special rights and responsibilities, shall at least once at the beginning of the year make a statement on conflict of interest, if any.

The persons under paragraph 1 of this Article shall not take part in the decision making process if their objectiveness is put in question due to the mutual interests or conflict of interest with persons involved in the contract or in the legal matter. The existence of a mutual interest or conflict of interest is disclosed prior to considering the concerned matter.

The written statement from paragraph 1 of this Article, is submitted to the Managing Board containing the names and addresses of persons with whom they have a mutual interest or conflict of interest, as well as material benefit, i.e. the nature of business or family interest existing among them.

Person from paragraph 1 who has a material interest or a material relation as stipulated under paragraphs 2 or 3 of this Article shall leave any meeting at which the concerned matter is discussed, and shall refrain from voting on any matter related thereto.

For the purposes of paragraphs 1 and 3 of this Article, an interest shall be considered material if the persons with special rights and responsibilities realize material benefit, i.e. business or family interests, or realize a material interest for another legal entity which they own, directly or indirectly, having a significant interest, or managing that legal entity.

If a person from paragraph 1 fails to disclose a material interest or a conflict of interest in accordance with this Article, a court of competent jurisdiction may, upon request of the bank and a bank shareholder, set aside the contract or the legal matter.

VI. ACCOUNTING AND AUDITING IN BANKS

Article 69

The bank shall be obliged to keep business records in a regular and updated manner. Business records and financial statements shall be made in accordance with the regulations on accounting and accounting standards, unless otherwise provided by this Law.

The National Bank prescribes the forms, types, methodology, contents and the terms of the bank reports which are submitted to the National Bank.

A bank shall prepare semi-annual and annual financial statements and consolidated financial statements.

The bank is obliged to prepare a consolidated financial statement in the cases stipulated by a decision of the National Bank.

As an exception to paragraph 4 of this Article, the bank shall not prepare a consolidated financial statement in the cases obtaining equity share in legal entities under provisions of a separate law.

Legal entities that are included in the consolidated financial statement from paragraph 4 of this Article are obliged to submit all data and information needed to the bank which prepares a consolidated financial statement.

Article 70

Financial statements and business records shall be audited and assessed by an authorized auditor, who prepares an audit report in accordance with the auditing regulations.

Article 71

The authorized auditor controls and assesses:

1. balance sheet
2. income statement
3. cash flow statement
4. changes in the amount of capital
5. level and changes of the allocated special reserves

6. conducted write-offs

7. amount of assumed potential liabilities

8. consolidation effects report

9. functioning of the internal audit

10. book keeping

11. information system

12. accuracy and completeness of reports submitted by the bank to the National Bank

13. adequacy of the accounting procedures of the bank and enforcement of the regulations.

The National Bank may require from an auditor additional explanation with respect to the auditing report.

Article 72

A bank is obliged to select an auditing company for which the National Bank is informed.

The same auditing company may not conduct more than three successive audits in the same bank.

The same auditing company may not conduct less than five audits of banks in one business year.

The audit of the consolidated financial statements and financial statements of legal entities included in the consolidated financial statements should be performed by the same auditing company.

Article 73

A bank is obliged to submit to the National Bank a copy of the annual statement after its adoption, together with an auditing report by an authorized auditor.

The subsidiary of a foreign bank is obliged to submit to the National Bank a business statement and an audit report of the parent bank, within four weeks of its issuance.

The National Bank refuses the financial statements from paragraph 1 of this Article if it determines that they are not based on objective facts on the financial condition of the bank.

Article 74

If the National Bank determines that an audit report is not based on objective facts on the financial condition of a bank, it will not accept the bank audit reports of that auditing company in the following three years.

If the situation specified in paragraph 1 of this Article is determined, the National Bank may require that a bank appoints another auditing company.

The bank shall cover all costs arising on the basis of paragraph 2 of this Article.

Article 75

If the auditing company finds that the bank is not capable of fulfilling its obligations or that the bank has operated contrary to the existing regulations, it is obliged to notify immediately the Minister of Finance and the Governor of the National Bank in written form.

Article 76

The audit company is obliged to simultaneously submit the report on performed audits to the National Bank, the Executive Body of the Bank, the Managing Board of the Bank, and to the Ministry of Finance.

A bank is obliged to publish a summary of its audited financial statement with the auditor's opinion in at least one daily newspaper within 15 days from the day it was adopted by the Bank Assembly.

VII. SUPERVISION AND SURVEILLANCE

Article 77

The National Bank shall supervise the banks.

The National Bank, through the supervision, evaluates the compliance of the bank operations with the regulations.

The National Bank shall also carry out consolidated supervision in the cases of Article 69 paragraph 4 of this Law.

Supervision referred to in paragraph 3 of this Article shall be carried out pursuant to the methodology stipulated by the National Bank.

The National Bank also exercises surveillance over the operations of entities which according to this Act are determined as affiliated with the bank. Provided that these entities are subject to a control conducted by other authorized body, the National Bank exercises control in cooperation with the authorized body.

The National Bank shall also perform the supervision referred to in paragraphs 1 and 3 of this Article upon request of the Government of the Republic of Macedonia.

Article 78

The National Bank performs its supervision through the following:

1. permanent off-site surveillance of the bank operations by collection, analysis and verification of the reports submitted by the bank;

2. on-site (full or targeted) examination of the bank operations;

3. actions taken for compliance with the legal regulation.

Article 79

During the surveillance and examination specified in Articles 77 and 78 of this Law, the bank and the entities from Article 77 paragraph 5 of this Law and the entities subject to consolidated supervision referred to in paragraph 3 of this Article are obliged to give to the authorized personnel access to all available documents, as well as to provide the documentation requested by the authorized personnel.

Article 80

When supervising a bank, the National Bank may request:

1. the bank to provide reports and information on the operation of the bank;

2. an auditing report and additional information on the completed audit of the bank; and

3. extraordinary surveys on the bank operation.

The authorized personnel may keep and take only copies, or photocopies of the bank's documentation, certified by a notary, if needed.

VIII. CONTROL OF THE LEGITIMACY IN THE OPERATIONS OF LEGAL ENTITIES AND NATURAL PERSONS

Article 81

If legal entities and natural persons are engaged in activities contrary to Article 4 of this Law, the Public Revenue Office shall adopt a decision prohibiting their operation and shall demand their elimination from the registry.

Appeal against the decision under paragraph 1 of this Article may be filed with the Ministry of Finance within 8 days upon receipt of the decision.

Appeal under paragraph 2 of this Article shall not defer the implementation of the decision.

If the National Bank identifies that legal and natural persons conduct operations contrary to Article 4 of this Law, it is obliged to inform the Ministry of Finance.

Article 82

The Public Revenue Office, by a decision, shall determine the period in which the legal entity or natural person who has acted contrary to Article 3 paragraph 2 of this Law is compelled to make changes in the title. If the changes to the title are not made within the specified period, the Public Revenue Office shall demand omission of those words from the registry in which they are entered.

IX. BUSINESS SECRET

Article 83

Persons with special rights and responsibilities, bank employees and other persons with access to bank operation, are prohibited from disclosing data and information determined by law and bank statute and other bank acts as a business secret.

The commitment stipulated under paragraph 1 of this Article refers to the entities from paragraph 1 of this Article also upon termination of their employment.

The data which the bank is obliged to submit to the National Bank and to other bodies and institutions in compliance with the law, and which represent a business secret of the bank shall be considered as confidential.

Article 84

Data on the savings deposits and all deposits of natural and legal persons, as well as data on the operations of natural persons through their giro and current accounts and the operations of legal persons through their giro accounts are considered as a business secret of the bank.

Data from paragraph 1 of this Article, may be disclosed in the following instances:
- if the client has given a written consent to disclose the data;
- upon written request or order of the competent court;
- upon written request of the National Bank for the needs of the supervision or another body authorized by law, and
- if the data are disclosed to the Anti-Money Laundering Department in accordance with the law.

IX -a. NOTIFICATION

Article 84-a

The Bank is obliged to submit a written notification to the Central Registry on number of the account with the bank that has been continuously blocked for more than 45 days.

The bank is obliged to submit the notification from paragraph 1 of this Article on the next working day following the expiration of the 45th day of the blockade.

X. MEASURES TO IMPROVE THE CONDITION OF A BANK

Article 85

The National Bank may undertake the following measures against a bank if determined that the bank has violated the provisions of this Law and the other regulations passed by the National Bank, or if determined that the ~~risky~~ operations of the bank have endangered the timely implementation of commitments towards the creditors of the bank:

1. Submit a written warning, or written recommendation to the bank;

2. Submit a request for convening a meeting of the Managing Board or shareholders Assembly to review the conditions and to reach an agreement on the measures needed to improve the conditions in the bank;

3. Issue a written order to the bank to adhere to the provisions of this Law, to the regulations of the National Bank, and other regulations governing the bank's operations to cease conducting business transactions in a manner that may threaten the stability of the bank, or to cease the settlement of liabilities towards creditors, i.e., to undertake measures to improve the conditions of the bank's operations;

4. Reach an agreement with the bank on the measures for compliance with the legal regulations that will be transformed into a protocol and signed by both sides. Majority of the members of the Managing Board signs the protocol on behalf of the bank, including the President and the Executive Body;

5. Prohibit a payment of dividends or other manner of payment of profits;

6. Revoke the approval for appointment of an Executive Body;

7. Prohibit the acceptance of savings deposits;

8. Prescribe that the average total assets of the bank for a set period cannot exceed the average total assets of a bank from the previous period including the off-balance items;

9. Prohibit the bank from acquiring shares in other legal entities, from establishing bank units or representative offices i.e., prohibit the bank from expanding its operating network in any way;

10. Prohibit any increase of the credit exposure to borrowers classified in risk categories C, D and E;

11. Order the sale of shares in other legal entities;

12. Order one or more shareholders that own or control more than 10 percent of the shares with managing right to reduce their ownership interest to below 10 percent of the shares with managing right.

13. Assign measures to improve the bank's collecting procedures of due claims.

14. Propose to the Managing Board of the bank to merge with another bank or to be acquired by another bank;

15. Propose the transfer or sale of the bank's assets to another bank;

16. Limit the salaries and allowances of the management bodies and employees of the bank;

17. Order a reduction of the operating expenses.

18. Appoint a conservator;

19. Appoint receivership;
20. Revoke the founding and operating license of the bank;

21. Instruct the bank to increase the capital;

22. Require one or more shareholders to rehabilitate the bank;

23. Prohibit the bank to extend credits of other forms of credit exposure to related entities, unless they are covered with collateral of securities issued or guaranteed by the Government of the Republic of Macedonia or the European Union, being kept by independent third party, depositary institution and the market value of which, at any time, surpasses 125% of the credit amount or other form of credit exposure;

24. interest rates the bank pays on deposits not to exceed the usual interest rates applying for deposits in certain amount and maturity date in the Republic of Macedonia;

25. the bank, parts of the bank or its subsidiaries to terminate or reduce the scope of activities for which the National Bank estimated they cause losses in the operations of the bank;

26. request from the bank to discharge one or several persons having special rights and responsibilities, who had such status longer than 180 days immediately before the bank has become under-capitalized;

27. the bank to liquidate subsidiary or other part of the bank for which the National Bank estimated are threatened by insolvency or cause losses in the operations of the bank;

28. prohibit to perform part of or all financial activities;

29. limit the growth of placements;

30. exclude from participation in the foreign exchange market;

31. stop payments towards abroad, except for payments upon due liabilities; and

32. limit the borrowing from abroad".

The National Bank shall supervise the implementation of the measures referred to in paragraph 1 of this Article.

The Governor may authorize employee from the national Bank to supervise the implementation of measures in the bank itself as well.

An appeal against the decision from paragraph 1 of this Article by which measures are undertaken and terms for removal of irregularities are determined, may be lodged to the National Bank Council within eight days upon its receipt. The appeal against the Decision for undertaking the measures from paragraph 1, items 5, 6, 7, 8, 9, 10, 18, 19, 21, 23, 24, 25, 26, 27, 28, 29, 30, 31 and 32 of this Article shall not defer the implementation of the decision.

The Governor of the National Bank is obliged to call a meeting of the National Bank Council of the Republic of Macedonia Council within 30 days upon the receipt of the appeal.

The National Bank Council shall resolve appeals without participation of the Governor and the Vice-Governors of the National Bank.

The National Bank shall submit a written notification to the Ministry of Finance on the undertaken measures from paragraph 1, items 6, 7 18, 19 and 20 of this Article.

1. Prompt Corrective Action based on the decrease in the capital adequacy ratio

Article 86 is deleted

2. Appointing conservator and Pre-rehabilitation procedure

<u>Article 87</u>

If the bank is doing businesses permanently inconsistent with the provisions of this Law and other regulations, the National Bank of the Republic of Macedonia may appoint a conservator in that bank.

The conservator, under paragraph 1 of this Article shall be appointed by the Governor of the National Bank for a period not exceeding 6 months, which may be extended for an additional 6 months at the most through a special decision from the Governor of the National Bank.

<u>Article 88</u>

Within 30 days upon appointment, the conservator shall draft and propose to the National Bank a plan of measures and activities for compliance with the provisions of this Law and other regulations and for normal operation of the bank.

When preparing the plan under paragraph 1 of this Article, the conservator is committed to protect the interests of the bank's depositors and creditors.

The National Bank is obliged to decide on the plan of the conservator stipulated under paragraph 1 of this Article within a period of 15 days.

When the National Bank approves the plan of measures and activities proposed by the conservator, it shall order the bank to implement the plan.

If the Managing Board fails to adopt the plan of measures and activities or adopts the plan but fails to implement it in accordance with the pre-determined schedule, the National Bank shall propose that the Bank Assembly dismisses the members of the Managing Board within a period of 15 days.

If the Bank Assembly fails to act in accordance with paragraph 5 of this Article, the National Bank may adopt a decision to revoke the founding and operating license of the bank.

An appeal against the decision of the National Bank from paragraph 6 of this Article may be filed within 8 days upon their receipt to the Council of the National Bank. The appeal does not defer the implementation of the decision.

The Governor is obliged to call a meeting of the National Bank Council within 30 days of the receipt of the appeal.

The National Bank Council shall resolve appeals without participation of the Governor and Vice Governors of the National Bank.

Article 89

The conservator, stipulated under article 87 of this Law, is entitled and obligated to attend the sessions of the managing bodies of the bank and to participate in their work without the right to vote.

The conservator may not delegate his rights and liabilities to another person and shall be accountable for his work to the National Bank.

The bank in which conservator is appointed shall be obliged to provide the conservator with an access to all relevant documentation and insight into business records.

Article 90

The rights and liabilities of the conservator shall cease:

1. when the terms of his appointment expires;

2. on the date when the decision for his appointment is revoked;

3. if receivership is appointed in the bank who shall take over the rights and liabilities of the bank's management; and

4. with the initiation of a bankruptcy or liquidation proceeding in the bank.

3. Appointing receivership and the rehabilitation procedure

Article 91

When the bank is determined to be insolvent, the Council of the National Bank shall appoint receivership, with a decision, in that bank, or shall submit a proposal to the authorized court for instituting bankruptcy proceedings.

A bank shall be deemed insolvent if:

1. the value of the liabilities of the bank exceeds the value of the assets of the bank determined in accordance with the methodology of the National Bank, or

2. the capital adequacy ratio is less than one-quarter of the one required under Article 30 of this Law; or

3. the bank is not paying its liabilities as they become due.

Activities to be undertaken by the receivership and its duration shall be determined by the decision referred to in paragraph 1 of this Article.

Receivership shall last 6 months at the most, with a possibility to extend this period for additional 6 months.

Article 92

The Council of the National Bank shall, by decision, appoint one or maximum three members of the receivership upon proposal by the Governor of the National Bank.

The receiver shall be appointed for a period of 6 months at the most, with a possibility to extend such period for additional 6 months.

The members of the receivership shall receive remuneration for their work.

The remuneration specified in paragraph 3 of this Article is determined by the Council of the National Bank, and shall be paid by the bank in which receivership is appointed.

Article 93

The decisions from Article 92 paragraph 1 of this Law shall be published in the "Official Gazette of the Republic of Macedonia" and at least in one of the daily newspapers.

The decisions from Article 92 paragraph 1 of this Law shall be submitted to the authorized court for entry in the registry.

When the decision referred to in Article 92 paragraph 1 of this Law is adopted, the rights of the management bodies of the bank shall be suspended.

The receiver shall not transfer his/her rights and responsibilities to another person.

Article 94

The receiver shall have all the rights as the shareholders and the persons with special rights and responsibilities in the bank and its parts, except for the rights limited in the decision referred to in Article 92 paragraph 1 of this Law.

Members of the receivership shall have access and control over the business premises, property, business records and other documentation of the bank.

Members of the receivership are obliged to protect the property and documentation of the bank and undertake all necessary measures accordingly, determined in detail by the National Bank.

Provided that the members of the receivership are hindered in any way to enter the premises of the bank, the access of the members of the receivership in the bank will be provided with assistance of the bodies of the Ministry of Internal Affairs.

Members of the receivership shall notify the corresponding banks that the individuals previously managing the bank have been dispossessed of their authorities and shall also notify them of the new individuals being authorized signatories and managing the bank.

Article 95

The receiver shall be obliged, within the deadline set by the National Bank which shall not exceed 45 days, to submit to the National Bank a report on the present situation regarding the operations of the bank, as well as estimate for the future possibilities for stable and profitable operations of the bank, and a plan for achieving profitable operations of the bank, including the following:

1. possibilities for survival of a new bank with the funds from the insolvent bank via increase of capital by identified investors, who will fully or partially buyout the bank or the claims and liabilities of the bank for a period not longer than 1 year;

2. possibility for selling the bank to one or several existing banks in a period not longer than 1 year;

3. the amount of funds that can be realized during the liquidation procedure of the bank for a period not longer than 18 months, and

4. evaluation of the proposals for rehabilitation of the bank submitted within 15 days after the adoption of the decision referred to in Article 92 paragraph 1 of this Law.

When preparing the plan referred to in paragraph 1 of this Article, the receiver shall act according to the obligation to protect the interests of the depositors and creditors of the bank.

The receiver shall prepare and submit to the National Bank draft balance sheet of the bank, attached to the plan referred to in paragraph 1 of this Article.

Article 96

The National Bank shall be obliged, within 15 days after the reception of the documents referred to in Article 95 of this Law, to approve the plan of the receiver or to reach a decision on meeting the conditions for initiation of bankruptcy procedure in the bank.

The National Bank, on quarterly basis, shall evaluate the implementation of the plan of the receiver, and should it determine that the bank became solvent, it may decide for the receiver to stop working and to establish management by the bank's shareholders.

Should the National Bank, during the implementation of the plan referred to in paragraph 1 of this Article, determine that the implementation of the plan does not realize the expected results in terms of improving the financial condition of the bank, it may stop the implementation of the plan and reach a decision on meeting the conditions for initiation of bankruptcy procedure in the bank.

Article 97

If the proposal for rehabilitation of the bank is approved, the Governor of the National Bank shall pass a decision on initiating rehabilitation procedure in the bank.

When the decision referred to in paragraph 1 of this Article is adopted, the function of all management bodies and of all persons with special rights and responsibilities shall be terminated, as well as the rights of the shareholders on the basis of the shares in the bank.

The bank in which rehabilitation procedure is initiated shall be obliged to write off the losses and the potential losses at the expense of the capital of the bank.

The bank may lodge an appeal against the decision referred to in paragraph 1 of this Article to the Council of the National Bank within 8 days after the reception of the decision. The appeal shall not hinder the effectiveness of the decision.

The Governor of the National Bank shall be obliged to convene a session of the Council of the National Bank within 15 days after the reception of the appeal.

The Council of the National Bank shall reach a decision upon the appeal, without participation by the Governor and the Vice Governors of the National Bank.

The decision referred to in paragraph 1 of this Article shall be submitted to the Deposit Insurance Fund and to the Ministry of Finance.

Article 98

Immediately after the appointment, the receiver shall prepare new balance sheet of the bank on the basis of the findings by the National Bank about the value of the bank's assets, and in accordance with the evaluation standards and the procedures stipulated with a decision by the National Bank.

The receiver may:

1) stop any activity of the bank;
2) continue the banking operations, except:
   - receiving deposits from legal entities and physical persons, and
   - approving credits to new clients of the banks;
3) borrow funds; and
4) implement any instrument for collection and, on his/her behalf, undertake activities or court procedures for collection of the claims of the bank.

The receiver shall report to the National Bank about his/her activities each 10th in the current month, including the financial statements of the bank for the previous month, statements for the changes in the capital, information referring to the possibilities for sale of the bank or its assets, and projections for payment of the liabilities of the bank. The balance sheet of the bank shall be published in the media at the same time when it is submitted to the National Bank.

Article 99

The authority of the receiver shall be terminated with:

1) expiry of the period for which he/she is appointed;
2) revocation of the decision by which he/she is appointed; and
3) adoption of a decision on initiating rehabilitation procedure, decision on meeting the conditions for initiating bankruptcy procedure or decision on determining the conditions for initiating liquidation procedure in the bank.

The authority of the receiver shall be terminated, upon his/her request, when the new receiver is assigned the authority.

XI. BANKRUPTCY PROCEEDING

Article 100

A bankruptcy proceeding shall be initiated in a bank when the Governor of the National Bank determines that the rehabilitation is unfeasible i.e., that a rehabilitation proceeding is not cost efficient, and if determined that a bank is incapable of payments against due liabilities continually for more than 10 days.

A proposal for passing a decision for fulfillment of the conditions for initiation of a bankruptcy proceeding may be submitted by the bank' creditors and shareholders.

Article 101

The Governor of the National Bank passes a decision on fulfillment of the conditions for instituting bankruptcy procedure.

The bank and the proposer from Article 100, paragraph 2 of this Article can lodge an appeal against the decision on fulfillment of conditions for instituting a bankruptcy procedure, within 8 days after it has been submitted.

The Council of the National Bank decides upon the appeal in the absence of the Governor and Vice Governors of the National Bank.

Article 102

The final decision on fulfillment of the conditions for instituting a bankruptcy proceeding in a bank is submitted to the bank in which a bankruptcy proceeding is instituted, to the bank which assumes the deposits, to the payment operations institution, to the proposer from Article 100 paragraph 2 of this Law, to the court in which the bank is registered, to the Deposit Insurance Fund and to the Ministry of Finance.

Article 103

The authorized court passes a Decision on instituting a bankruptcy proceeding within 8 days upon receipt of the final decision from Article 102 of this Law, without instituting prior proceedings.

Article 104

The bank in bankruptcy and the bank assuming its operations are obliged to record the position of all claims and liabilities of the bank in bankruptcy on the date when the decision on instituting a bankruptcy proceeding is passed and to submit the minutes to the National Bank within 10 days upon publishing of the announcement for instituting a bankruptcy proceeding in the "Official Gazette of the Republic of Macedonia".

The minutes from paragraph 1 of this Article shall be inspected by the National Bank, which is obliged to submit them to the court in charge of the bankruptcy proceeding and to the Deposit Insurance Fund, within 10 days upon the receipt.

Article 105

From the day the Governor of the National Bank passes the decision for determination of the fulfillment of conditions for instituting a bankruptcy proceeding until the effectiveness of the court decision on instituting bankruptcy proceeding in the bank, the National Bank appoints an authorized officer in order to protect the property of the bank.

The rights and duties of the authorized officer from paragraph 1 of this Article are precisely determined in the Decision passed by the National Bank.

Article 106

The legal consequences resulting from the initiation of a bankruptcy proceeding shall arise on the date when the court decision for a bankruptcy proceeding has been submitted to the bank and shall involve the following:

1. The activation of guarantees of the National Bank and the Republic of Macedonia on foreign loans;

2. The claims on the bank which are in a form of occasional payments are consolidated into a one-time claim, with the exception of claims by foreign creditors guaranteed by the National Bank;

3. The claims of creditors are considered to be matured, with the exception of claims by foreign creditors guaranteed by the National Bank;

4. The bank deposit guarantees are reduced by the funds in vault cash; and

5. The operating costs of the bank are covered by the advance the bankruptcy board requires from the proposer of the bankruptcy.

Article 107

In the bankruptcy proceedings, the Creditor Committee has an advisory role.

Article 108

Prior to refunding the creditors, the costs incurred during the proceeding including the costs of the bank, which is taking over the deposit operations of the bank in bankruptcy and any credit extended to the bank after the appointment of a receiver, are deducted from the bankruptcy estate.

Article 109

The claims of the creditors shall be settled from the bankruptcy estate in the following order:

1. Claims by the Republic of Macedonia and the National Bank;

2. Claims by the Deposit Insurance Fund, based on insured deposits;

3. Claims by creditors other than stockholders of the bank;

4. Claims by creditors who have an agreement with the bank on precedent right of payment in a bankruptcy proceeding prior to the stockholders of the bank; and

5. Claims by creditors who have an agreement with the bank on settlement with equal treatment to the shareholders in a bankruptcy proceeding.

Article 110

If there are remaining assets in the bankruptcy estate after the completion of the bankruptcy procedure and settlement of all claims to creditors, those assets shall be divided among the shareholders in compliance with the Statute and other regulations of the bank.

Article 111

In the bankruptcy procedure of the bank the provisions of the Law on Bankruptcy shall be applied, except for the provisions regulating the issues on creditor committee, economic, technological, structural and other similar changes in the bankruptcy proceeding, bankruptcy plan and the personal management.

Article 112

The National Bank shall be obliged to publish the final decision on fulfillment of the conditions for initiation of a bankruptcy proceeding in a bank through the mass media and to publicly display the decision in the bank.

The National Bank shall submit the decision specified under paragraph 1 of this Article to the Deposit Insurance Fund and the Ministry of Finance within seven days after it becomes final.

XII. LIQUIDATION PROCEDURE

Article 113

The liquidation proceeding is initiated in a bank when:

1. the shareholders pass a decision on termination of the activity of the bank; and

2. the National Bank revokes the founding and operating license of a bank.

Article 114

The Governor of the National Bank passes a decision on determining the conditions for initiation liquidation proceeding in a bank in instances stipulated under Article 113 of this Law.

An appeal against the decision from paragraph 1 of this Article may be filed within 8 days upon its submission. The Council of the National Bank shall resolve appeals without participation of the Governor and Vice Governors of the National Bank.

The National Bank shall be obliged to publish the final decision on determining of the conditions for initiation of a bankruptcy proceeding in a bank through the mass media and to publicly display the decision in the bank.

The final decision on determining the conditions for initiation of a liquidation proceeding in a bank is submitted to the bank that has taken over the operations of the bank in liquidation, to the institution for payment operations, to the Deposit Insurance Fund and to the Ministry of Finance.

Article 115

The bank in liquidation, and the bank that has taken over its operations, are obliged within 10 days upon receipt of the final decision on determining the conditions for initiation of a liquidation procedure, to record the position of all assets and liabilities, and to submit the minutes to the National Bank.

The National Bank is obliged to examine the minutes stipulated under paragraph 1 of this Article, and to submit them to the Deposit Insurance Fund within 10 days upon receipt.

Article 116

Following the liquidation proceeding, the remaining funds shall be allocated among the shareholders of the bank, in compliance with the founding decision.

XIII. PENALTY CLAUSES

1. Criminal offences

Article 117

The Executive Body, persons with special rights and responsibilities, who through their work violated the provisions of this Law or regulations, or contributed to the initiation of a bankruptcy proceeding in a bank and consequently inflicted damage to the creditors of that bank, shall be sentenced from 3 to 10 years of imprisonment.

When defining the sentence special consideration shall be given to the extent of the damage, number of impaired entities and the consequences of the bankruptcy proceeding upon the economic system in the country.

Material benefit obtained by the criminal offence under paragraph 1 of this Article shall be confiscated with court decision.

"Article 117-a

Person who shall use the word "bank" contrary to Article 3 paragraph 2 of this Law, and thus contribute to incurring damage to legal entities and physical persons shall be sentenced to 3- to 10-year imprisonment.

When determining the sentence, the degree of damage and the number of damaged entities, as well as the effect on the financial system as a whole. shall be of special significance.

The property benefit gained by committing the criminal act referred to in paragraph 1 of this Article shall be taken away on the basis of court decision.

Article 117-b

Person who shall receive deposits contrary to Article 5 of this Law, and thus contribute to incurring damage to legal entities and physical persons shall be sentenced to 3- to 10-year imprisonment.

When determining the sentence, the degree of damage and the number of damaged entities, as well as the effect on the financial system as a whole. shall be of special significance.

The property benefit gained by committing the criminal act referred to in paragraph 1 of this Article shall be taken away on the basis of court decision.

Article 117-c

Person who shall acquire shares in a bank without prior consent by the National Bank, envisaged in Article 11, paragraphs 1 and 4 of this Law shall be sentenced to 3- to 10-year imprisonment.

When determining the sentence, the consequences regarding management and operations of the bank, and on the financial system as a whole, shall be of special significance.

The property benefit gained by committing the criminal act referred to paragraph 1 of this Article shall be taken away on the basis of court decision.

The court shall sell the shares acquired contrary to Article 11 paragraphs 1 and 4 of this Law pursuant to the provisions referred to in Article 11 of this Law and pursuant to the provisions from the Securities Law referring to trade in securities. The receipts from the sale of shares shall be considered revenue of the Budget of the Republic of Macedonia."

Article 118

An employee of the bank who exercising his/her regular duties with premeditation does not issue a savings book or other appropriate document depending on the kind of the deposit shall be sentenced from three to five years of imprisonment.

2. Infraction

Article 119

A bank shall be fined for infraction from Denar 100,000 to 300,000 in the following instances, if it:

1. fails to maintain the capital value pursuant to the Law (Article 8);
2. the amount of preferential shares in the bank surpasses the percentage referred to in Article 10 paragraph 1 of this Law;
3. fails to submit decision for registration to the National Bank pursuant to Article 13 and Article 21-a of this Law;
4. conducts operations for which it has not obtained a license from the National Bank (Article 17);
5. makes status changes without approval by the National Bank (Article 21);
6. fails to request consent by the National Bank pertaining to instances stipulated under Article 25 paragraph 1 of this Law;

7. fails to inform the National Bank on the cases and within the deadlines referred to in Article 26 of this Law;
8. fails to adjust the capital and the guarantee capital and their amount it is obliged to provide pursuant to Article 27 paragraph 1, and related to Articles 29 and 30 of this Law;
9. fails to set up special reserves in the amount and method prescribed by the National Bank (Article 33);
10. fails to maintain exposure to certain types of risks within the limits prescribed by this Law, and fails to adhere to the supervision regulation of the National Bank, it is obliged to do pursuant to Article 27 paragraph 2, and related to Articles 31 to 37;
11. approves credit contrary to Articles 35, 36, 37 and 38 of this Law;
12. buys back its own shares, contrary to Article 38 paragraph 3 of this Law;
13. fails to operate pursuant to Article 39 of this Law;
14. fails to maintain solvency and liquidity in the operations (Articles 40 and 42 of this Law);
15. executes payments contrary to Article 41 of this Law;
16. fails to comply with the provisions of this Law pertaining to the open foreign exchange position (Article 43);
17. performs activities without special consent by the National Bank (Article 46 paragraph 2 of this Law);
18. fails to issue pass book to physical persons or to open pass books to legal entities and charitable organizations (Article 50 of this Law);
19. fails to display the terms for operations with savings deposits publicly on the teller's premises (Article 52 of this Law);
20. fails to receive deposit and execute order for payment in and out or transfer of funds or other property contrary to Article 53 paragraph 1 of this Law;
21. fails to notify the Money Laundering Prevention Directorate and to submit other relevant information to the competent body (Article 53 paragraph 3 of this Law);
22. fails to convene the Assembly of the Bank pursuant to Article 57 of this Law;
23. appoints a person as a member of the Managing Board that cannot be member of the Managing Board (Article 58 paragraph 4 of this Law);
24. fails to convene meeting of the Managing Board (Article 58 paragraph 7 of this Law);
25. fails to organize internal audit service, risk management board and audit board (Article 59 paragraph 4 items 17 and 18, Article 61 and Article 66);
26. fails to act pursuant to Article 68;
27. fails to prepare a financial report and consolidated financial report pursuant to Article 69 of this Law or fails to submit it to the National Bank pursuant to Article 73 of this Law;
28. fails to select an auditing company and acts contrary to Article 72 of this Law;
29. fails to publish an excerpt of its audited financial statement (Article 76 of this Law);
30. fails to give access to, or to provide the documentation to be requested pursuant to Article 79 of this Law;
31. discloses business secret, contrary to Articles 83 and 84 of this Law;
32. performs payment operations in the country contrary to the regulations;
33. fails to submit a written notification to the Central Registry within the deadline determined in Article 84-a of this Law;
34. submits untimely and false data to the National Bank.

The Executive Body of a bank and other persons with special rights and responsibilities in a bank, who commit an infraction under paragraph 1 of this Article, shall be charged with a fine from 10,000 to 50,000 Denar.

The Executive Body of a bank and other persons with special rights and responsibilities who have been charged for infraction under paragraph 1 items 7-26 of this Article, shall be prohibited from performing executive duties in a bank one year after the sentence becomes effective.

Article 120

"The following entities shall be fined with Denar 100,000 to 300,000 in case of infraction:

1. brokerage company or the Stock Exchange, should it perform transaction contrary to Article 11 paragraphs 2 and 6 of this Law;
2. The Central Securities Depositary, should it subscribe shares contrary to Article 11-a paragraph 3 of this Law;
3. The legal entity, should it fail to notify the National Bank pursuant to Article 11-b of this Law;
4. should it fail to notify the National Bank on the change referred to in Article 26 paragraph 3 of this Law;
5. should it fail to notify and to submit evidence to the National Bank of the source of funds pursuant to Article 26 paragraph 4 of this Law;
6. The legal entity, should it fail to submit to the bank data referred to in Article 69 paragraph 6 of this Law;
7. The audit company, should it fail to submit written notification pursuant to Article 75 of this Law; and
8. The audit company, should it fail to submit reports referred to in Article 76 paragraph 1 of this Law."

The responsible individual of the legal entity shall be charged with a fine from Denar 10,000 to 50,000.

Article 121

An individual shall be charged with a fine from Denar 10,000 to 50,000 for an infraction in the following instances:

"1) should it fail to notify the National Bank pursuant to Article 11-b of this Law; and

2) should it fail to notify the National Bank on the change referred to in Article 26 paragraph 3 of this Law; and

3. should it fail to notify and to submit evidence to the National Bank of the source of funds pursuant to Article 26 paragraph 4 of this Law."

XIV. TRANSITIONAL AND CLOSING PROVISIONS

Article 122

On the date this Law enters into force, the Law on Banks and Savings Houses ("Official Gazette of the Republic of Macedonia" No. 31/93, 78/93, 17/96, 37/98 and 25/00), with the exception of provisions prom part II Savings Houses, part III – a) Savings Deposits Insurance Fund and the provisions from Article 93a to 93l, part 2a, Bank Rehabilitation Agency, Articles 131b and 131g shall no longer be in effect.

The savings houses and Postal Savings House, founded in compliance with the provisions of the Banks and Savings Houses Act ("Official Gazette of the Republic of Macedonia" No. 31/93,78/93,17/96, 37/98 and 25/2000) continue to operate according to the provisions of this Law, within the framework of the authorizations described in the founding and operating license.

The Postal Savings House may be reorganized into a Postal Bank within period of 10 years from the date when this Law enters into force.

Article 123

The implementation of the provisions from Article 8 ceases on January 01, 2003.

Article 124

Banks established in the Republic of Macedonia until this Law enters into force are obliged to comply with the provisions of this Law in a period of six months from the day this Law enters into force.

Transitional and closing provisions in Official Gazette 51/2003

Article 35

The National Bank shall be obliged to replace the bank charters with decisions on issuing the licence to establish and operate a bank, comprising elements determined in Article 17 paragraph 3 of this Law, within 6 months from the date this Law enters into force.

Article 36

The banks established in the Republic of Macedonia are obliged, up to the day this Law enters into force, to harmonize their operations with the provisions of this Law within 6 months from the day it enters into force.

Article 125

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