

BANKING LAW

August, 2000

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 by the provisions of this Law, when the "Macedonian Post" public enterprise or its legal successor is obligatory one of the founders and 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 bankand
 - 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 of the definition of the management and capital relation 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 voting shares;
 - 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 the net worth (or own funds) of a bank that is the difference between its assets and liabilities in accordance with the National Bank of the Republic of Macedonia Methodology;

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 which might differ from the definition of "Capital" stipulated under item 8 of this Article;

17. "Measures" means undertaking actions to correct the infractions, eliminate noncompliance and irregularities in the bank's operations;

18. "Voting shares" means common shares of the capital of the issuer that carry the right to vote and the right to payment of a dividend;

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 foreign bank or another foreign financial institution without a status of a legal entity. The representative office may make a research in the financial and banking operations market, to represent the founder 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, foreign exchange and foreign currency 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, etc;

22. "Statutory changes" pertains to bank mergers and bank break-ups into a number of independent banks.

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. "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.

25. "Savings deposit" means a sum of money of a natural person deposited with a bank, evidenced by a written document as Denar or foreign currency deposit, which consists of principle and interest.

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.

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 and placing them into credits, or investments.

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
- convicted of a criminal offense against property and a criminal offence in the area of financial operations;

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 money form 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 voting shares.

Based on the evaluation of the National Bank, when a bank establishes 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, shall not exceed one third of the shares with voting right.

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 10%, 20%, 33%, 50% and 75% of the total voting shares of a bank, prior approval must be granted by the National Bank.

Voting shares acquired contrary to paragraph 1 of this Article, shall not bear voting right.

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 application for issuing a founding and operating license comprises a draft act on bank founding, business plan and other documentation determined by the National Bank.

In addition to the documents from paragraph 1 of this Article, the application for issuing a founding and operation license should be supported with the following basic information:

1. education and experience of the employees with special rights and responsibilities including the professional history for the past five years;
2. organizational set up;
3. types of the main financial activities the bank shall perform;
4. projection of financial statements for the following three years.

Following the application from paragraph 1 of this Article, the Governor of the National Bank takes a decision to grant a temporary license or to reject the license application within three months from the date of submission of a complete documentation to the National Bank.

Appeal may be filed against the Decision under paragraph 3 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 Deputy Governor.

When taking a decision from paragraph 3 of this Article, the Governor of the National Bank evaluates whether the bank shall operate in compliance with the legal regulations and prescribed supervisory standards, skills, experience and integrity of the executive body, other persons with special rights and authorizations and bank shareholders, the feasibility of the business plan and the projection of financial statements.

If the determined documentation is not comprised in the application stipulated under paragraph 1 of this Article, the Governor of the National Bank shall reject the application by a decision.

An appeal against the decision from paragraph 6 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 Deputy Governor.

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 shareholding capital;
2. Passing of a draft statute;
3. Plan of employment with qualification structure and training of bank's staff;
4. Renting or purchasing business premises and equipment, and establishing an operative system including internal control and audit;
5. Development of written policies and procedures for bank's operations; and
6. 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 from paragraph 2 of this Article includes the activities that the bank is to perform.

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 4 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 Deputy Governor.

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 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 statutory changes

Article 21

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

The application for granting a license for statutory 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 Deputy Governor.

3. Revocation of the founding and operating license

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;
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 perform the activities in compliance with the issued license and the provisions of this Law;

6. the bank does not fulfil 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.

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 Deputy Governor.

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 statutory 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 voting shares of more than 10% of the total number of the voting shares;
4. list of activities of the bank;
5. date of issuance or revocation of the license; and
6. reasons for revocation of the license.

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 Governor of the National Bank grants prior approval for:

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. Buying shares in other bank;
5. Acquiring shares, according to Article 11, paragraph 1 of this Law;
6. Changes in the name of the bank; and
7. Establishing a company for long-term securities trading on its behalf and for its account and establishing other financial institutions.

The procedure and documentation required for granting an approval from paragraph 1 of this Article shall be proscribed by 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 3 of this Article, it shall be considered that the bank has been granted the approval.

If the Governor of the National Bank rejects the application for approval stipulated under paragraph 1 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 Deputy Governor.

If the activities from paragraph 1 item 2, and 7 of this Article are not implemented in accordance with the approval, the Governor of the National Bank may revoke the granted 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 voting shares, except for the cases defined in Article 11, paragraph 1 of this Law, for which prior approval is required;
3. Large credit exposure;

4. Establishment and ceasing of the operations of sections of the bank in the country and abroad;
5. Changes in the bank bodies;
6. Capital investments of the bank in other entities in the country and abroad;
7. Change of the headquarters of the bank.

The bank is obliged to notify the National Bank on the instances stipulated under paragraph 1 of this Article within five days from their occurrence.

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 voting shares participating with over 5 percent of the total number of voting shares, 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 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, non-banking financial and non-financial institutions may not exceed 60 percent of the bank's guarantee capital.

The aggregate amount of the capital investments in other banks, non-banking financial 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 and 3 of this Article exclude the property in land, buildings, equipment 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 4 of this Article within a period of three years upon their acquisition, otherwise they are subject to the limit from paragraph 1, 2 and 3 of this Article.

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 activities:

1. accept all kinds of money deposits from legal entities and natural persons;
2. grant and take loans in the country;
3. foreign exchange and foreign currency operations;

4. issuance of credit cards;
5. financial leasing;
6. domestic payment operations in compliance with the law;
7. economic and financial consulting;
8. provide services in collection of invoices, maintenance of records;
9. provide other financial services (depositories, leasing safes etc.)
10. issuance of Denar cash guarantees, backing guarantees, and other forms of guarantees;
11. purchase and sale of short-term securities for its account or for the account of a client;
12. 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 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.

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 body in the Republic of Macedonia, responsible for the prevention of money laundering of the suspicion or knowledge described in paragraph 1 and provide, at the authorities request, any 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 voting shares.

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. convicted for criminal act against property and for criminal act in the area of financial operations;
4. who is a net debtor of the bank, determined in accordance with the Methodology stipulated by the National Bank.

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. Adopts plans, operative programs, and general bank acts, with the exception of the regulations adopted by the Bank Assembly;
3. Develops proposals of the acts that are adopted by the Bank Assembly and administers the regulations;
4. Reviews and adopts reports on the operation of the bank in the course of the year;
5. Proposes a Decision to the Assembly about the use and distribution of profit, i.e. the coverage of losses;
6. Determines the list of net debtors of the bank;
7. Analyzes the reports on the completed supervisory controls and other reports delivered by the National Bank;
8. 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;
9. 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;
10. Gives proposals to the Bank Assembly for the appointment of an authorized auditor;
11. Submits an operation report to the Bank Assembly;
12. Convenes sessions of the Bank Assembly and proposes the agenda of the Assembly;
13. Decides on issuing other securities except shares;
14. Proposes issuance of shares to the Assembly;
15. Appoints and dismisses the Executive Body of the bank;
16. Organizes the Risk Management Committee;

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

18. 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 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 appropriate finance positions or 3 years of work experience for persons with special rights and responsibilities in a bank,
3. knowledge of banking law and regulations.

An Executive Body shall not be a person who:

1. is a manager or president of any trade company or legal entity,
2. is a member of the National Bank Council,
3. convicted of a criminal offence against property and a criminal offence in the area of financial operations.

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 the bank bodies in writing.

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 policies;
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 majority of them shall be authorized auditors.

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 case it directly or indirectly owns capital investment in other legal entities, which equal at least 20 percent of the capital of each legal entity.

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 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 appoint an authorized auditor for which the National Bank is informed.

The same authorized auditor may not conduct more than three successive audits in the same bank.

The same authorized auditor may not conduct more 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 auditor.

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 prepared by this authorized auditor 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 authorized auditor.

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

Article 75

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

An authorized auditor shall simultaneously submit his reports 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.

Article 76

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. SURVEILLANCE OF THE BANK OPERATIONS

Article 77

The National Bank shall monitor the bank operations.

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

The National Bank also exercises control 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 perform the supervision from paragraph 1 of this Article upon request of the Government of the Republic of Macedonia.

Article 78

The National Bank performs its surveillance 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 partial) examination of the bank operations;
3. actions taken for compliance with the legal regulation.

Article 79

During the surveillance specified in Articles 77 and 78 of this Law, a bank is obliged to provide the authorized personnel with insight into the complete bank documentation.

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 of the bank's documentation.

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 the paragraph 1 of this Article, may be disclosed only upon written request by the court and the National Bank.

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 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 and to the regulations of the National Bank, 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 voting shares of a bank to reduce their ownership interest to below 10 percent of the voting shares of a bank.
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 a receiver; and
20. Revoke the founding and operating license of the bank.

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 and 19 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 15 days upon the receipt of the appeal.

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

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

For banks whose capital adequacy ratio is less than three-quarters of the required minimum stipulated under Article 30 of this Law, the National Bank shall require that the bank adopts a recapitalization plan approved by its shareholders and by the National Bank and shall take one or more of the following actions:

1. Require that the average total assets of the bank during a certain period does not exceed its average total assets during the preceding period, including off-balance sheet items;
2. Require that the bank does not acquire any equity interest in any legal entity, establish or acquire new parts of the bank, or engage in any new line of business;
3. Require that the bank does not grant any credits or other types of credit exposure to related entities unless they are collateralized by marketable securities issued or guaranteed by the

Government of the Republic of Macedonia or the European Union, held in custody by an independent third party – depository institution, market value of which exceeds 125 percent of the amount of the credit or other form of credit exposure at all times; and

4. Require that the interest rates the bank pays on deposits not exceed the prevailing rates of interest on deposits of comparable amounts and maturity.

For banks with capital adequacy ratio is less than one-half of the required minimum stipulated under Article 30 of this Law, in addition to the measures that may be taken that are described in Article 85 and in paragraph 1 of this Article, the National Bank shall take one or more of the following measures:

1. Require the bank or any of its subsidiaries to alter, reduce, or terminate any activity that the National Bank determines has caused material losses to the bank;
2. Require the bank to dismiss one or more persons with special rights and responsibilities who had had this status for more than 180 days immediately before the bank became undercapitalized;
3. Require that the bank liquidates the subsidiary if the National Bank determines that the subsidiary is in danger of becoming insolvent or has caused material losses to the bank; and
4. Limit the salaries and allowances of the management bodies and employees of the bank.

An appeal against the decision of the Governor of the National Bank with which measures from paragraph 1 and 2 of this Article are undertaken can be lodged with the National Bank Council within eight days upon its receipt. The appeal does not defer the implementation of the decision.

The Governor of the National Bank is obliged to call a meeting of the National Bank of the Republic of Macedonia Council within 15 days upon the receipt of the appeal.

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

2. Appointing conservator and Pre-rehabilitation procedure

Article 87

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.

Article 88

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 15 days of the receipt of the appeal.

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

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 a receiver 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 a receiver and the rehabilitation procedure

Article 91

When the bank is determined to be insolvent, the National Bank shall appoint a receiver 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;
2. the capital adequacy ratio is less than one-quarter of the one required under Article 30 of this Law; and
3. the bank is not paying its liabilities as they become due.

Article 92

The Council of the National Bank, shall by decision appoint a receiver upon proposal of the Governor of the National Bank.

The receiver shall be appointed for a period of no longer than 6 months which may be extended for an additional 6 months at the most.

The receiver shall receive remuneration for his work.

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

Article 93

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

All rights of the managing bodies of a bank shall cease when the decision on the appointment of a receiver according to Article 92, paragraph 1 of this Law, is delivered.

A receiver may not delegate his rights and responsibilities to another person.

Article 94

The receiver shall have all the rights of the shareholders and persons with special rights and responsibilities in the bank and parts thereof, except for the restrictions listed in the decision stipulated under Article 92, paragraph 1 of this Law.

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

A receiver is 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 receiver is hindered in any way to enter the premises of the bank, the access of the receiver in the bank will be provided with assistance of the bodies of the Ministry of Internal Affairs of the Republic of Macedonia.

A receiver shall notify the corresponding banks that the individuals previously managing the bank have been dispossessed of their authorities and shall notify them of the newly appointed individuals authorized to manage the operations of the bank and are entrusted as a signatories.

Article 95

A receiver shall be obliged, within a period set by the National Bank which may not exceed 45 days, to submit an evaluation report to the National Bank on the current situation of the bank's

operations, with evaluation of future prospects for stable and profitable operations and implementation plan, which would include;

1. possibilities for survival of a new bank with the assets of an insolvent bank through recapitalization by identified investors who will, fully or partially, purchase the bank or the claims and liabilities of the bank within a period not longer than a year;
2. possibility for selling the bank to one or more existing banks within a period not longer than a year;
3. the assets amount, which may be realized during the liquidation proceedings of the bank in a period of 18 months at the most; and
4. evaluation of the proposals to rehabilitate the bank, presented within 15 days from the day the decision from Article 92, paragraph 1 of this Law is passed.

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

Together with the plan from paragraph 1 of this Article the receiver shall develop a draft balance sheet of the bank and submit it to the National Bank.

Article 96

The National Bank shall be obliged to approve the plan of the receiver, within 15 days upon receipt of the documentation under Article 95 of this Law, or to pass a decision on fulfillment of the conditions for introduction of a bankruptcy procedure in the bank.

The National Bank shall evaluate the implementation of the plan of the receiver on quarterly basis, and if it determines that the bank became solvent, it may decide to revoke the appointment of the receiver and to establish management by the shareholders of the bank.

If in the course of the implementation of the plan specified under paragraph 1 of this Article, the National Bank determines that the expected results to improve the financial conditions of the bank have not been achieved, it may cease the implementation of the plan and pass a decision on fulfillment of the conditions for introduction of a bankruptcy procedure in the bank.

Article 97

If the proposal for rehabilitation of a bank is accepted, the Governor of the National Bank passes a decision for initiation of rehabilitation procedure in the bank.

With passing of the decision from paragraph 1 of this Article, the functions of all management bodies, persons with special rights and responsibilities, as well as the rights of the shareholders based on shares in the bank shall terminate.

The Bank in which a rehabilitation procedure is introduced is obliged to write off the losses and potential losses from the capital of the bank.

An appeal against the decisions from paragraph 1 of this Article may be filed with the National Bank Council within eight days upon its receipt. The appeal does not defer the implementation of the decision.

The Governor of the National Bank is obliged to call a meeting of the National Bank Council within 15 days upon the receipt of the appeal.

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

The decision stipulated under paragraph 1 of this Article is also submitted to the Deposit Insurance Fund and to the Ministry of Finance.

Article 98

Forthwith upon his appointment, the receiver shall establish a new balance sheet for the bank, based on the determination of the NBM of values of the bank's assets in accordance with valuation standards and procedures prescribed by regulation of the NBM.

A receiver may:

1. discontinue any operations of the bank;
2. continue banking activities other than:
 - collecting deposits of legal and natural persons; and
 - extending credit to new clients of the bank;
3. borrow funds; and
4. execute any instrument for debt collection, initiate on its behalf activities or legal proceedings for collection of bank's claims.

The receiver shall report by the tenth day of each month to the National Bank on the progress of the receivership, including the financial statements of the bank of the previous month, reports on the changes in the amount of the capital, information concerning the prospects for the sale of the bank or its assets, and projections of payment of the bank's liabilities. The bank's balance sheet shall be published in the mass media simultaneously with its submission to the National Bank.

Article 99

The authorities of a receiver shall terminate:

1. with the expiration of the term of his appointment;
2. with the revocation of the decision on his appointment;
3. with passing the decision on bank rehabilitation, decision on fulfillment of the conditions for introduction of a bankruptcy procedure in the bank, or a decision on determining the conditions for introduction of a liquidation procedure in the bank.

The authorities of a receiver shall cease at his request, when a newly appointed receiver assumes the authorities.

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, or 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 Deputy Governor.

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 Deputy Governor.

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 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. Infractions

Article 119

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

1. conducting operations for which it has not obtained a license from the National Bank (Article 17);
2. failing to apply for an approval from the National Bank pertaining to instances stipulated under Article 25 paragraph 1 of this Law;
3. increasing the capital contrary to Article 11 of this Law;
4. failing to maintain the value of the founding capital (Article 8 paragraph 5);
5. making statutory changes without an approval from the National Bank (Article 21)
6. failing to notify the National Bank of instances stipulated under Article 26 of this Law;
7. failing to adjust the capital and the guarantee capital and their level with those prescribed by the National Bank (Articles 27, 29, 30);
8. failing to set up special reserves in the amount and method prescribed by the National Bank (Article 33);
9. failing to comply with the supervisory standards determined by the National Bank (Articles 31 to 37);
10. approving loans (Articles 35, 36, 37 and 38) contrary to this Law;
11. not complying with Article 39 of this Law;
12. buying back its own shares, contrary to Article 38, paragraph 3;

13. failing to maintain solvency and liquidity in the operations (Articles 40 and 42);
14. effecting payments contrary to Article 41 of this Law;
15. failing to comply with the provisions of this Law pertaining to the open foreign exchange position (Article 43);
16. failing to display the terms for operations with savings deposits publicly on the teller's premises (Article 52);
17. failing to comply with Article 53 of this Law;
18. appointing an individual as a member of the Managing Board who can not become a member of the Managing Board (Article 58);
19. failing to convene a meeting of the Managing Board (Article 58, paragraph 5)
20. failing to convene the Assembly of the Bank contrary to Article 57 of this Law;
21. failing to prepare a financial report and consolidated financial report (Article 69) or failing to submit it to the National Bank (Article 73) ;
22. failing to appoint an authorized auditor and acting contrary to Article 72 of this Law;
23. failing to publish a summary of its audited financial statement (Article 76);
24. if the Managing Board fails to set up the internal control and audit and Risk Management Committee (Articles 59, paragraph 4, item 16, 17 and 66);
25. failing to comply with Article 68;
26. disclosing business secrets contrary to Article 83 and 84 of this Law;
and
27. carrying out domestic payment operations in defiance with the provisions.

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

A legal entity shall be fined for infraction from Denar 100,000 to 300,000 in the following instances:

1. for withdrawing the founding capital;
2. for performing operations contrary to the provisions under Article 5 of this Law;
3. for acting contrary to the provisions under Article 3, paragraph 2 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. for withdrawing the founding capital;
2. for performing bank operations contrary to the provisions under Article 5 of this Law;
3. for acting contrary to Article 3, paragraph 2 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 from 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 9 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.

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'.