BANKING LAW

BANKING LAW

I. GENERAL PROVISIONS

Article 1
This Law shall set forth the banks’ establishment, operations, supervision and termination of operations.

Article 2
For the purpose of this Law the definitions given below shall denote the following:

1. “Bank” shall denote a legal entity engaged in the business of accepting deposits and using such funds, either in whole or in part, for extending credits or investing for the account of the bank;

2. “Postal Bank” shall denote 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” shall denote 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, by the Law, shall be exclusively delegated to the banks.

4. “Deposit” shall denote a claim of other entities on the bank in cash, with or without interest or premium of any kind, repayable either on demand or at a certain period, depending on the agreed conditions at the time the deposit was placed;

5. “Affiliated entities” shall denote two or more legal entities or natural persons which are management, capital or otherwise affiliated, due to which they together design the business policy and the work in coordination with each other in order to obtain usual commercial advantages. They shall be considered affiliated if one legal entity or natural person has a significant interest in another legal entity.

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

   The bases for defining affiliated entities shall be determined by the National Bank of the Republic of Macedonia.

6. “Subsidiary” shall denote any legal person in which another person or group of persons acting in concert holds:
   - the equivalent of fifty percent or more of the voting shares; or
   - a significant interest

7. “Significant interest” shall denote:
a) direct or indirect holding of a legal entity by another legal entity 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 persons or legal entities on the management and the adoption of the policies and the financial and business judgements in another legal person, or

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

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

9. “Credit” shall denote 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” shall denote any security with maturity of up to one year;

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

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

13. “Recommendation” shall denote 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” shall denote a required directive for implementation of this Law or the regulations issued by the National Bank of the Republic of Macedonia regarding the application of this Law;

15. “Person with special rights and responsibilities” shall denote a person who is a member of the Board of Directors, executive body, department manager, and other persons 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 other persons is authorized to conclude agreements for the account of the bank.

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

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

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

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

20. “Representative office” shall denote a part of a bank or another financial institution having no status of a legal entity. The representative office may conduct a research in the financial and banking operations market, but shall not be allowed to deal with banking activities.
21. “Financial institution” shall denote a legal entity other than a bank, engaged in one or more of the following activities: extending credits, exchange offices operations, issuing credit cards, economic and financial consulting, financial leasing, factoring, operations with securities for its own account and for the account of the client, safekeeping, management of securities and precious metal items, insurance activities, services of prompt money transfer, etc; 

22. “Status changes” shall pertain to bank mergers, and bank split-ups into a number of independent banks, transformation of a savings house into a bank and acquisition of a savings house by a bank; 

23. “Merger of banks” shall denote a merger of two or more banks, whereby all banks are renounced of their legal identity and a new bank is established, or an acquisition of one bank by another whereby the acquired bank is renounced of its legal identity while the acquiring bank continues to operate under the same legal status. 

24. “Acquisition of a savings house by a bank” shall denote acquisition of a savings house to a bank with the acquired savings house renouncing of its legal identity, and the acquiring bank continuing to operate under the same legal status; 

25. “Open foreign exchange position” shall be considered the net amount of assets between the on-balance and off-balance sheet assets and liabilities items denominated in foreign currency; 

26. “Savings deposit” shall denote 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 shall consist of principle and interest; and 

27. “Acquiring shares” shall denote a payment in the initial issue (founding), purchasing, inheriting, giving as a present, compensating, pledge, court decision and other manners specified by a law.

Article 3

A bank shall be established as a joint-stock company having a registered main office in 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 the words deriving from the word bank shall not be used in the name of a trading company, or a legal entity, which does not meet the requirements specified under paragraph 1 of this Article. 

Trading company, or another legal entity, the name of which suggests banking activities, and which does not meet the requirements from paragraph 1 of this article shall not be registered in the Trade Registry.

Article 4

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

Article 5

Legal entities and natural persons, that were not granted an operating license by the National Bank, shall be prohibited from engaging in the business of accepting 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 stipulated under paragraph 2 of this Article, unless otherwise determined by this Law.

**Article 7**
A bank shareholder may not become a person:

- against whom bankruptcy proceedings have been initiated; and

- sentenced to imprisonment, as follows:

  a) in the period from the effectiveness of the sentence to the day of serving out the sentence, and five years from the day the sentence is being served out, in the case of effective court sentence of up to three years of imprisonment;

  b) in the period from the effectiveness of the sentence to the day of serving out the sentence, and ten years from the day the sentence is being served out, in the case of effective court sentence of over three years of imprisonment;

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

In the case of canceling the sentence referred to in paragraph 1 indent 2 of this Article, the Criminal Code provisions shall respectively apply.

**Article 8**
The decision pertaining to the founding of a bank, a foreign bank subsidiary and Postal Bank, defines the capital required for founding a bank and conducting the activities stipulated under Article 45 of this Law, the amount of which may not be lower than the Denar equivalent of EURO 3,500,000, calculated according to the middle exchange rate of the National Bank on the date when the application is submitted to the Trade Registry.

For conducting the operations referred to in Article 46 of this Law, the capital of the bank shall not be lower than the Denar equivalent of EURO 9,000,000 calculated according to the middle exchange rate of the National Bank on the date of submission of the application for authorization.

When establishing a bank, the share of the non-money form of the capital may not exceed 10 percent of the capital.

All additional capital investments shall be investments of shareholders in money form and shall be considered a capital of the bank.

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

**Article 9 – no longer valid**

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1 The provisions of Article 9 of the Banking Law (“Official Gazette of the Republic of Macedonia” no. 63/00) ceased being valid as of January 1, 2003.
Article 10
The amount of preferential shares, without voting right in the bank, shall not exceed 10 percent of the total shares in the bank.

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

Article 11
Prior approval of the National Bank shall be needed for gradual or one-time acquisition of shares, regardless of whether they are acquired by one or more affiliated persons, directly or indirectly, the total cumulative nominal value of which is 5 percent, 10 percent, 20 percent, 33 percent, 50 percent and 75 percent of the total voting shares in the bank, except for the case of acquiring shares by inheritance.

In the cases of paragraph 1 of this Article the brokerage houses and the Stock Exchange shall not execute transaction with bank’s shares for which no approval of the National Bank has been presented.

Shares acquired contrary to paragraph 1 of this Article shall not bear voting right and shall be considered being within 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 management bodies.

Each legal entity or natural person intending to acquire shares or to increase the number of shares they already hold, so that they exceed 5 percent, 10 percent, 20 percent, 33 percent, 50 percent or 75 percent of the total number of bank’s voting shares, directly or indirectly, shall submit an application to the National Bank for obtaining prior approval.

The provisions of Article 15 paragraph 1 items 4, 5, 6, 7, 8 and 9, paragraph 2, paragraph 3 and paragraph 4 of this Law shall respectively apply to the documents and the information enclosed with the application referred to in paragraph 4 of this Article and the procedure for their assessment.

The transaction for acquiring such shares shall be executed within 60 days after the date of obtaining the approval of the National Bank. After the expiration of this period, it is necessary to initiate a procedure for obtaining a new approval.

The National Bank shall reject the application referred to in paragraph 4 of this Article provided that:

1) the application does not contain the stipulated documentation;

2) the application contains incorrect or false data;

3) the manner of operations or the nature of the activities performed by such person indicate high risk tendency;

4) the financial and the economic standing of such person does not correspond with the value of shares they intend to acquire;

5) it has a grounded reason to doubt the legitimacy of the origin of the funds, the integrity or the true identity of such person;

6) the person who holds shares in a bank rejects or rejected the National Bank’s request to take part in the rehabilitation of that particular bank;
7) considers that the bank will be included in a group that does not enable adequate supervision and

8) considers that the acquisition of shares shall lead to unfavorable development of the financial system.

The Governor of the National Bank shall adopt a Decision regarding the application referred to in paragraph 4 of this Article within 90 days after the date of submission of the application.

Appeal may be filed against the Decision referred to in paragraph 8 of this Article within 8 days upon the receipt of such Decision. The National Bank Council shall resolve appeals without participation of the Governor and the Vice-Governors of the National Bank.

**Article 11-a**

A person who, by an inheritance, gradually or immediately, acquired shares in the total cumulative nominal amount of 5 percent, 10 percent, 20 percent, 33 percent, 50 percent or 75 percent of the total number of bank’s voting shares, irrespective of whether the shares have been acquired by one or more affiliated persons, directly or indirectly, shall submit an application to the National Bank for obtaining an approval for such change within ten days after the Decision on inheritance becomes effective.

The provisions of Article 15 paragraph 1 items 4, 5, 6, 7, 8 and 9, paragraph 3 and paragraph 4 of this Law shall respectively apply to the documents and the information enclosed with the application referred to in paragraph 1 of this Article and the procedure for their assessment.

In the cases of paragraph 1 of this Article, the Central Securities Depository shall not register the shares for which no application referred to in paragraph 1 of this Article has been presented.

The Governor of the National Bank shall adopt a Decision regarding the application referred to in paragraph 1 of this Article within 90 days after the date of submission of the request.

The National Bank shall reject the application referred to in paragraph 1 of this Article in the cases specified by Article 11 paragraph 7 of this Law.

Appeal may be filed against the Decision referred to in paragraph 5 of this Article within 8 days upon the receipt of such 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.

The shares referred to in paragraph 1 of this Article for which no approval has been granted by the National Bank shall not bear voting right and shall be within the limit referred to in Article 10 of this Law, and the person who acquired such shares or their representatives may not be members of the bank’s management bodies.

**Article 11-b**

Each legal entity or natural person intending to decrease the share of bank’s voting shares shall notify the National Bank if:

1) The portion by which the share decreases grants them a voting right of over 5 percent and

2) The decrease in the portion reduces their voting right below 10 percent, 20 percent, 33 percent, 50 percent or 75 percent.

**Article 12**

A bank shall acquire the status of a legal entity after it has been entered in the Trade Registry.
The application for entry in the Trade Registry shall be submitted within 15 days after the date of adoption of the Decision on founding and operating a bank.

The following documents shall be 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 up as capital on a temporary account with any institution responsible for conducting payment operations, i.e. evidence that the foreign legal entity or natural person has paid up the amount in foreign currency on a special account with the National Bank;
5. Evidence that the bank shareholders have transferred the non-money assets considered as capital of the bank to the ownership of the bank; and
6. Other documents in compliance with the regulations for registration in the Trade Registry.

Bank units shall also be entered in the Trade Registry, in compliance with the regulations for entry in the Trade Registry.

**Article 13**
The bank shall submit to the National Bank a copy of the verified registry application supported with the documentation submitted for entry in the Trade Registry within 15 days after the entry in the Trade Registry.

1. Founding and operating license

**Article 14**
A license issued by the National Bank shall be required for founding and operating a bank.

**Article 15**
The bank’s founders shall file an application to the National Bank for issuing founding and operating license of a bank. The application shall contain the following documents and information:

1. Draft-founding act;
2. Study on bank’s operations;
3. Suggested name of the bank;
4. Amount of the capital and statement stating that the funds will be paid up;
5. Sources of funds for paying up the capital;
6. Confirmation issued by the competent institution for regular payment of public fees;
7. Information on the identity of the founders and the number of shares each of them holds;

8. Proof of the fitness and properness of the founders from the aspect of bank’s stability, supported by documents;

9. Proof of the financial standing of the founders;

10. Information on the identity, education and the experience of the executive body, including their professional background for the past five years;

11. Bank’s organizational set up;

12. Financial activities the bank intends to perform;

13. Projection of the financial statements for the following three years;

14. Documentation pursuant to Article 7 of this Law and

15. Information on the IT system and the technical equipment of the bank.

The legal entities – founders of a bank the shares of which exceed 5 percent, 10 percent, 20 percent, 33 percent, 50 percent and 75 percent of the total number of bank’s voting shares, in addition to the documents and information referred to in paragraph 1 of this Article, shall enclose the following with the application:

1) founding act and Statute of the legal entity and list of the names of persons – members of the management bodies;

2) list of persons holding more than 10 percent of the shares, i.e. parts in the legal entity and

3) list of firms in which such legal entity holds more than 10 percent of the shares, i.e. parts.

The National Bank may request additional information and documentation apart from those listed in paragraphs 1 and 2 of this Article.

The National Bank shall prescribe the type and the manner of submitting the information and the documentation referred to in paragraphs 1 and 2 of this Article and the procedure for their assessment.

For the application referred to in paragraph 1 of this Article, the Governor of the National Bank shall adopt a Decision on granting a temporary license or rejecting the application within three months after the date of submission of the completed documentation to the National Bank.

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

In the decision-making referred to in paragraph 5 of this Article, the Governor of the National Bank shall assess whether the bank shall be organized and capable of performing operations in
compliance with the legal regulations and the prescribed supervisory standards, the skills, experience and integrity of the executive body and the bank’s shareholders, the feasibility of the study on the bank’s operations and the projection of the financial statements.

The application stipulated under paragraph 1 of this Article, which does not contain the prescribed documentation, shall be rejected by a Decision of the Governor of the National Bank.

Appeal against the Decision referred to in paragraph 9 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.

**Article 16**
The temporary license shall list the requirements to be met by the bank in order to obtain founding and operating license, as follows:

1. Payment of capital;
2. Passing 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. Employment Plan including qualification structure and training of bank’s staff;
5. Renting or purchasing business premises and equipment, and establishing an operational system including internal control and audit;
6. Developing written policies and procedures for bank's operations; and
7. Engaging an authorized external auditor.

**Article 17**
The bank shall meet the requirements set in the temporary license within a period of six months following the issuance of the temporary license, and submit written proofs to the National Bank.

On the basis of the evaluation of the bank’s compliance with the requirements set in the temporary license, the Governor of the National Bank, shall make a Decision on issuing a license for founding and operating a bank.

The Decision referred to in paragraph 2 of this Article shall specify the following:

1) Name and main office of the bank;
2) Names of the founders holding shares in nominal amount of over 5 percent and the number of shares they hold;
3) Amount of the bank’s capital;
4) Activities it is entitled to perform; and
5) Confirmation of the bank’s Statute.
The bank shall not perform financial activities that are not listed in the Decision referred to in paragraph 2 of this Article.

The bank’s Statute shall be in compliance with the Decision referred to in paragraph 2 of this Article.

If the bank fails to meet the requirements set in the temporary license within six months, the Governor of the National Bank shall make a Decision on termination of the temporary license.

Appeal against the Decisions referred to in paragraphs 2 and 6 of this Article may be filed within eight days upon their receipt. The National Bank Council shall resolve appeals without participation of the Governor and the Vice-Governors of the National Bank.

**Article 18**
The shareholders shall adopt a Decision on founding a bank within 30 days from the date they received the Decision referred to in Article 17 paragraph 2 of this Law.

The bank shall commence operations within 90 days after the Decision of Article 17 paragraph 2 is adopted.

**Article 19**
Founding and operating license for foreign bank subsidiary shall be issued on the basis of the same procedure as for issuing founding and operating license of a bank.

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

1. Evidence that the foreign bank is authorized to collect deposits and other sources of funds in the home country;

2. Approval issued by the supervisory bodies 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**
The National Bank shall maintain a bank Registry containing main information on the bank: name, address, main office and executive body.

The Registry from paragraph 1 of this Article shall be made public.

**2. License for status changes**

**Article 21**
A license granted by the National Bank shall be required for status changes of a bank.

The application for granting a license for status changes shall contain documentation specified by the National Bank.
The Governor of the National Bank shall pass a Decision on granting a license or rejecting the license application within three months from the date of submission of a complete documentation to the National Bank on the basis of the application referred to in paragraph 2 of this Article.

Appeal against the Decision under 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.

**Article 21-a**
The bank shall adopt 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 shall 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.

The bank shall submit to the National Bank a copy of the Registration Certificate along with the documentation that has been submitted for registration of the status change in the Trade Registry within 15 days from the date of registration of the status change in the Trade Registry.

### 3. Revocation of the founding and operating license

**Article 22**
The Governor of the National Bank shall revoke the founding and operating license of a bank by a Decision if determined that:

1. Such license is obtained on the basis of false data;
2. The bank has failed to make a decision on founding within 30 days upon receipt of the Decision stipulated under Article 17, paragraph 2 of this Law, i.e. the Decision on status changes within 30 days after obtaining the license 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 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 fails to meet the technical, organizational, personnel and other requirements for conducting banking activities, in compliance with the standards specified 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 fails to adhere to the requirement for timely and correct reporting to the National Bank according to Article 26 of this Law and to the
deadlines for submitting the reports, determined by the National Bank, which impairs the off-site bank supervision;

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

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

12. The bank fails to implement or acts contrary to the measures specified in Article 85, paragraph 1 items 5, 6, 7, 9, 10, 22, 24 and 29 of this Law.

Appeal against the Decision referred to in 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 referred to in paragraph 1 of this Article until the Decision on determining the requirements for introduction of a liquidation procedure, or the Decision on determining the requirements for introduction of a bankruptcy proceedings is passed, the bank shall cease conducting 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 issuance and revocation of a bank operating license and status changes license within seven days after 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 main office of the bank;

2. Name of the Executive body;

3. Name and main office of the shareholders holding voting shares of more than 5 percent 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.

The National Bank shall inform the Ministry of Finance on each change in the data referred to in paragraph 2, items 1, 2, 3 and 4 of this Article.

**Article 24**

The National Bank shall make public the issuance or revocation of a bank founding and operating license within seven days from the issuance date, i.e., from the date the decision on revoking the founding and operating license becomes final.

5. **Issuing an approval and notifying the National Bank**

**Article 25**
Without obtaining a prior approval of the Governor of the National Bank the bank shall not do the following:

1. Change the bank’s Statute;
2. Appoint an executive body;
3. Establish a bank and open a branch, a subsidiary or a representative office abroad;
4. Make capital investments in another bank;
5. Make capital investments in financial of non-financial institution in the country or abroad exceeding 10 percent of the bank’s guarantee capital, other than capital investments of a bank in another bank and founding a brokerage house authorized to operate on its behalf and for its account, which needs prior approval of the National Bank regardless of the amount of the investment relative to the guarantee capital;
6. Change the name, main office and address of the bank;
7. Establish a brokerage house authorized to operate on its behalf and for its account;
8. Amend the Decision on issuing a license for founding and operating a bank in the light of Article 17, paragraph 3, items 2 and 4 of this Law;
9. Change the policy of reliability of the bank’s information system.

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

The provisions of Article 11, Article 15 and Article 46 paragraphs 2 and 3 of this Law shall respectively apply to items 1, 2 and 8 of paragraph 1 of this Article.

The National Bank shall prescribe standards, thus ensuring the reliability of the IT system of the bank.

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

The Governor of the National Bank shall pass a Decision 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 pass a Decision on the application within the period stipulated under paragraph 6 of this Article, it shall be considered that the bank has been granted the approval.

The bank may file an appeal against the Decision referred to in paragraphs 5 and 6 of this Article, 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 the light of 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.

The Governor of the National Bank may revoke the approval referred to in paragraph 1, items 2 and 7 of this Article if the activities are not conducted in conformity with the granted approval.

**Article 26**
The bank shall notify the National Bank on:

1. The increase in the bank’s capital, i.e., new issues of shares;
2. The changes in the ownership structure of the voting shares;
3. The large credit exposure;
4. The establishment and ceasing of the operations of bank’s unit in the country;
5. The termination of a bank, branch office, subsidiary or representative office abroad;
6. The changes in the bank bodies;
7. The bank’s capital investments in financial or non-financial institution in the country or abroad not exceeding 10 percent of the guarantee capital of the bank.

The bank shall:

1) notify the National Bank on the activities stipulated under paragraph 1 items 1, 3, 4, 5, 6 and 7 of this Article within five days of their performance and

2) submit monthly reports to the National Bank on the changes referred to in paragraph 1 item 2 of this Article not later than the tenth day in the current month for the preceding month.

The legal entity or natural person that acquired less than 1 percent of the bank’s voting shares shall notify the National Bank on the changes referred to in paragraph 1 item 2 of this Article within five days after the registration of such change in the Central Securities Depositary.

The legal entity or natural person that acquired 1 percent to 5 percent of the bank’s voting shares shall notify the National Bank on the changes referred to in paragraph 1 item 2 of this Article and submit evidence for the source of funds supported by documents within five days after the registration of such change in the Central Securities Depositary.

The Governor of the National Bank shall determine by a Decision that the shares for which no or inadequate evidence for the source of funds has been submitted shall not bear voting right and shall be within 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 management bodies.

Appeal against the Decision referred to in paragraph 5 of this Article may be lodged within eight days upon receiving the Decision. The National Bank Council shall resolve the appeal without participation of the Governor and the Vice-Governors of the National Bank.
After the Decision referred to in 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 shall 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 such activities.

The bank shall 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 shall define the requirements pertaining to solvency maintenance and undertake measures against an insolvent bank.

Article 29
The National Bank shall prescribe:

- A Methodology for calculation and determination of the guarantee capital of the bank;

- A Methodology for calculation and determination of the risk weighted assets of the bank;

- A 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 capital adequacy ratio represents the guarantee capital to the risk-weighted assets ratio.

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. Risk identification, assessment and management and allocation of reserves by a bank

Article 31
The National Bank shall prescribe the manner of identification, assessment and managing risks by:

1. Determining the criteria for classification of on-balance sheet and off-balance sheet assets 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 such type of risk,

3. Prescribing a Methodology for liquidity risk identification, assessment and management;

4. Prescribing a Methodology for identification, assessment 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 shall be considered own funds of the bank, which serve to cover the losses arising from the risks, the bank faces with during its operations.

Reserves of the bank shall be formed from the portion of the profit and reevaluation reserves on the basis of a Decision of the bank’s Meeting of Shareholders.

**Article 33**
In order to cover potential losses arising from a particular risk on-balance sheet and off-balance sheet assets items, the bank shall allocate special reserves.

The amount of the special reserve shall be determined in a manner and an amount prescribed by a special methodology prescribed by the National Bank.

**3. Credit exposure and investment of the bank**

**Article 34**
The credit exposure of the bank shall cover the total on-balance sheet claims and off-balance sheet items.

The term “on-balance sheet claims” shall cover credits, accrued and non-accrued interest, purchased securities, capital investments of the bank, and other claims.

The term “off-balance sheet items” shall cover 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 whose participation exceeds 5 percent of the total number of voting shares, and to a single company in which the bank has equity holdings shall not exceed the limit of 10 percent of the bank’s guarantee capital.

Credit exposure to the executive body of the bank, the members of the Board of Directors, and other bank bodies and the 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 to borrowers referred to in paragraphs 2 and 3 of this Article shall not exceed the bank’s guarantee capital.
Credits and other forms of credit exposure to the borrowers referred to in paragraphs 2 and 3 of this Article shall be approved on the basis of a Decision adopted by a bank’s competent body.

The terms and conditions for approving credits and other forms of credit exposure, collecting deposits and providing other financial services to the borrowers 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 shall be considered an exposure equal or higher than 10 percent of the bank’s guarantee capital.

The total amount of large credit exposures may not exceed eight times of the bank’s guarantee capital.

The National Bank shall prescribe the conditions for implementation of the provisions of this Article and Article 35 of this Law.

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

**Article 37**
A bank shall adjust the manner of lending and the procedures for regulation of overdue claims to the supervisory standards determined by the National Bank, in compliance with the existing regulations.

**Article 38**
A bank may 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 credits or engage in other type of credit exposure with collateral of borrower’s shares in that bank.

A bank may repurchase own shares in the amount of 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 holding higher than 5 percent in that bank.

**Article 39**
The property of the bank in land, buildings, equipment, and equity holdings in other banks, financial and non-financial institutions may not exceed 60 percent of the bank's guarantee capital.

The bank shall not acquire land and buildings which are not used for performing its functions.

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

A single equity holding of a bank in non-financial institutions may not exceed 15 percent of the bank's guarantee capital.

The limits stipulated under paragraphs 1, 2, 3 and 4 of this Article shall exclude the property in land, buildings, equipment acquired on the basis of uncollected claims which the bank does not use for performing its functions, and the equity holdings obtained on the basis of uncollected claims.
The bank shall sell the property and the equity holdings referred to in paragraph 5 of this Article within a period of three years upon their acquisition, otherwise they shall be considered being within the limit from paragraph 1, 2, 3 and 4 of this Article.

The limit referred to in paragraphs 1 and 3 of this Article shall not include equity holdings in companies managing the pension and investment funds and companies established by banks and savings houses for gathering and providing information on credits, advances and guaranties extended by banks and savings houses.

4. Bank liquidity

Article 40
The bank shall manage its assets and liabilities in a manner that provides settlement of due liabilities at all times.

Article 41
The illiquid bank shall not make payment of orders of the bank i.e., orders of its clients from its giro-account.

Article 42
The National Bank shall specify the requirements related to the maintenance of the liquidity of banks and undertake measures against illiquid banks.

5. Open foreign exchange position

Article 43
A bank shall maintain an open foreign exchange position within the level prescribed by the National Bank.

The National Bank shall determine 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 third parties, and on behalf and for the account of third parties.

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. Lend and borrow loans in the country;
4. Exchange offices operations;
5. Issuance of credit cards;
6. Issuance electronic money;
7. Financial leasing;
8. Domestic payment operations in compliance with the law;
9. Economic and financial consulting;
10. Providing services in the collection of invoices, record keeping;
11. Providing 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.

The bank from paragraph 1 of this Article may also perform services of prompt money transfer in accordance with the Law on performing services of prompt money transfer.

**Article 46**

The bank founded with capital in the amount of Denar equivalent of EURO 9,000,000, in addition to the financial activities from Article 45, may perform the following financial activities:

1. Payment operations abroad, including the provision of services of prompt money transfer;
2. Credit and guarantee operations with abroad;
3. Factoring for the account of clients;
4. Trade in securities for its own account and for the account of clients;
5. Trade in foreign assets, and conducting foreign exchange transactions;
6. Trading in financial derivatives;
7. Safekeeping and managing securities and precious metal objects;
8. Purchasing, selling, underwriting and placement of securities issuance; and
9. Providing custodian services.

Special approval of the National Bank shall be required for the activities referred to in Article 45 paragraph 1 items 2, 4 and 8 of this Law and the activities referred to in paragraph 1 of this Article the bank performs abroad, as well as for intermediary activities with transferable securities.
The documentation, procedure and the criteria for issuing the approval referred to in paragraph 2 of this Article shall be specified by the National Bank.

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

**Article 47**
In addition to 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**
The Republic of Macedonia shall hold a golden share in the Postal Bank.

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

The golden share shall provide the Government of the Republic of Macedonia with a dominant voting right with respect to the following issues:

1. Change of ownership in the Postal Bank;
2. Merger, split-up and cessation of the operations of the Postal Bank;
3. Listing of the shares of the Postal Bank on the Stock Exchange;
4. Assuming liabilities for the account of the Postal Bank exceeding 10 percent of the capital of the Postal Bank;
5. Establishing units of the Postal Bank abroad;
6. Equity investments abroad; and
7. Investment policy of the Postal Bank.

**Article 49**
The provisions of this Law pertaining to banks shall apply to the Postal Bank, unless otherwise stipulated by law.
1. Savings deposits

Article 50
At the moment of payment the bank shall issue a special document - a savings book for Denar and foreign exchange deposits of natural persons (hereinafter: savings deposits).

If the bank fails to issue the document referred to in paragraph 1 of this Article the National Bank shall pass a Decision on revoking the part of the license regarding the acceptance of savings deposits and shall require from the authorized court exclusion of such operations from the Registry.

The National Bank shall immediately make the Decision referred to in paragraph 2 of this Article public and shall display it in the bank’s premises.

Legal entities and charity organizations shall not have savings books.

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

Article 52
The bank shall display in its tellers' premises the copies of the Decision of the National Bank on granting a founding and operating license, the interest rates in effect, the general conditions of handling savings deposits, and the type and amount of the guarantee for the savings deposits.

2. Protection against money laundering

Article 53
The bank shall neither take deposits, nor effect orders for payment or transfer of money or other property, if it reasonably suspects or undoubtedly identifies that the funds derive from criminal activities.

The perception referred to in paragraph 1 of this Article shall infer from objective factual circumstances.

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

V. BANK BODIES AND BANK MANAGEMENT

Article 54
Bank bodies shall be the General Meeting of Shareholders, the Board of Directors, the Executive Body, the Risk Management Committee, the Auditing Committee and other bodies specified by the Statute.

1. General Meeting of Shareholders

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

The bank’s shareholders shall be entitled to vote depending on the number of voting shares.
Article 56
The Bank Assembly shall perform 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 Board of Directors;

3. Discusses and adopts the report on the bank’s operations;

4. Adopts the annual statement of the bank;

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

6. Decides on new issuance of shares;

7. Decides on status changes and termination of the bank’s operations;

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

9. Gives its consent for the appointment of an authorized auditor at a proposal of the Board of Directors;

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

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

Article 57
The Bank Assembly shall meet at least once a year.

2. Board of Directors

Article 58
The Board of Directors of the bank shall consist of minimum of 5 and a maximum of 9 members.

The term of office of the members of the Board of Directors shall be four years.

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

A member of the Board of Directors of a bank may not be:

1. A member of the National Bank Council;

2. An employee of the National Bank;

3. A person sentenced to imprisonment, as follows:
a) in the period from the effectiveness of the sentence to the day of serving out the sentence, and five years from the day the sentence is being served out, in the case of effective court sentence of up to three years of imprisonment;

b) in the period from the effectiveness of the sentence to the day of serving out the sentence, and ten years from the day the sentence is being served out, in the case of effective court sentence of over three years of imprisonment;

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

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

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

In case of canceling the sentence referred to in paragraph 3 item 3 of this Article, the provisions of the Criminal Code shall respectively apply.

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

The Board of Directors shall meet not less than once a month.

**Article 59**

The Board of Directors shall establish policies for conducting financial activities and shall supervise their implementation.

The Board of Directors shall be responsible for the stability and efficiency of the bank and for the protection of the bank depositors.

The Board of Directors and bank employees shall 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 financial interest.

The Board of Directors shall perform the following activities:

1. Determining the business policy of the bank and passing the development plan;

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

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

4. Developing draft acts that are adopted by the Bank Assembly and administering the regulations;

5. Reviewing and adopting reports on the operations of the bank during the year;

6. Proposing to the Assembly a Decision on the use and the distribution of profit, i.e. the coverage of losses;
7. Determining the list of net debtors of the bank;

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

9. Undertaking measures against the Executive Body and proposing the Bank Assembly to undertake measures within its jurisdiction in 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. Approving 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. Giving proposals to the Bank Assembly for the appointment of an authorized auditor;

12. Submitting a report on the bank's operations to the Bank Assembly;

13. Convening sessions of the Bank Assembly and proposing the agenda of the Assembly;

14. Deciding on the issuance of other securities except shares;

15. Proposing issuance of shares to the Assembly;

16. Appointing and dismissing the Executive Body of the bank;

17. Organizing the Risk Management Committee;

18. Organizing the internal audit in the bank, determining the scope of its activities and the budget; and

19. Performing 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 shall be consisted of three members of the Board of Directors.

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 the policy and the procedure 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 the procedure and the policy for assets and liabilities management prescribed by the National Bank;
4. monitor the classification of risk assets and adequate allocation of the special reserve prepared by the bank’s departments;

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

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

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

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

The Risk Management Committee shall meet at least once a month or more frequently upon request of the Board of Directors, 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 Board of Directors at least once a month.

4. Auditing Committee

Article 61
The auditing committee shall consist of 3 members with a mandate of two years. A member of the Board of Directors 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 Board of Directors on any issues related to its competence and gives opinions on issues raised by the Board of Directors.

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 Board of Directors, 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 bank's operations and its liabilities. The Statute of the bank shall determine 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 regulations.

An Executive Body may 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 sentenced to imprisonment, as follows:
   - in the period from the effectiveness of the sentence to the day of serving out the sentence, and five years from the day the sentence is being served out, in the case of effective court sentence of up to three years of imprisonment;
   - in the period from the effectiveness of the sentence to the day of serving out the sentence, and ten years from the day the sentence is being served out, in the case of effective court sentence of over three years of imprisonment.
4. against whom a security measure ban on performing profession, activity or duty during the period the measure is in effect, has been enforced and
5. who acquired shares contrary to Article 11 paragraph 1 and Article 26 paragraphs 3 and 4 of this Law.

In case of canceling the sentence referred to in paragraph 3 item 3 of this Article, the provisions of the Penalty Code shall respectively apply.

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 Board of Directors 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 shall:

1. Manage the operation of the bank;
2. Represent and act on behalf of the bank;
3. Carry out the decisions of the Assembly and the Board of Directors of the bank, and monitors their enforcement;
4. Initiate and propose improvements in the operations of the bank; and
5. Appoint and dismiss the bank employees with special rights and responsibilities in accordance with the bank Statute.

**Article 64**
The Executive Body of the bank shall be responsible for the lawful operations of the bank.

The Executive Body of the bank shall be accountable for its work to the Board of Directors.

**Article 65**
Should the persons with special rights and responsibilities determine that the decision of the bank bodies is incompliant with the Law, or with a regulation based on the Law, or that the decision may jeopardize the liquidity of the bank, they shall be obliged to notify the Board of Directors in writing.

**6. Internal Bank Audit Department**

**Article 66**
The Board of Directors of a bank shall be obliged to set up an Internal Audit Department, as an independent operational unit.

The Department stipulated under paragraph 1 of this Article shall be 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 shall notify the Board of Directors of the bank on the performed controls and possible risks to the financial position of the bank.

The employees of the Department stipulated under paragraph 1 of this Article shall perform only the activities of the Department and at least one of them shall be an 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 the existence or non-existence of a conflict of interest.

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 shall be submitted to the Board of Directors of the bank containing the names and addresses of persons with whom they have a mutual interest or conflict of interest, as well as financial benefit, i.e. the nature of business or family interest existing among them.

Person from paragraph 1 who has a financial interest or a financial 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 financial if the persons with special rights and responsibilities realize financial benefit, i.e. business or family interests, or realize a financial 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 may 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 shall prescribe the forms, types, methodology, contents and the deadlines for preparing the reports which shall be submitted to the National Bank.

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

The bank shall be obliged to prepare a consolidated financial statement in the cases determined with 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 capital parts in legal entities under provisions of a separate law.

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

Article 70
Financial statements and business records shall be audited and assessed by an authorized auditor, who shall prepare an audit report in accordance with the auditing regulations.

Article 71
The authorized auditor shall control and assess:

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 for potential losses and conducted write-offs;
6. amount of assumed potential liabilities;
7. consolidation effects report;
8. functioning of the internal audit;
9. bookkeeping;
10. information system;
11. accuracy and completeness of reports submitted by the bank to the National Bank;
12. adequacy of the accounting procedures of the bank; and
13. enforcement of the regulations.

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

**Article 72**
A bank shall be obliged to select an auditing company about which the National Bank shall be notified.

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

The same auditing company 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 auditing company.

**Article 73**
A bank shall be 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 shall be 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 shall refuse 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 identified, the National Bank may require from the bank to appoint another auditing company.

The bank shall cover all costs arising from 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 shall be obliged to notify immediately the Minister of Finance and the Governor of the National Bank in written form.

**Article 76**
The auditing company shall be obliged to submit the report for the conducted audits simultaneously to the National Bank, to the Executive Body and to the Board of Directors of the bank, while the annual financial statement shall also be submitted to the Ministry of Finance.

A bank shall be 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, shall evaluate the compliance of the bank operations with the regulations.

The National Bank shall also conduct a consolidated supervision in the cases stipulated under Article 69 paragraph 4 of this Law.

The supervision under paragraph 3 of this Article shall be conducted pursuant to a methodology prescribed by the National Bank.

The National Bank shall also exercise surveillance over the operations of entities which according to this Law are considered as affiliated with the bank. Provided that these entities are subject to a control conducted by another authorized body, the National Bank shall exercise the control in cooperation with the authorized body.

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

**Article 78**
The National Bank shall perform its supervision through the following:

1. permanent off-site surveillance of the bank's operations by collection, analysis and verification of the reports submitted by the bank;
2. on-site, full or targeted, examination in the bank itself;
3. actions taken for compliance with the legal regulation.

**Article 79**
During the supervision and surveillance specified in Articles 77 and 78 of this Law, the bank and the entities from Article 77 paragraph 5 of this Law shall be obliged to allow the authorized personnel to inspect 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 5 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 entities or natural persons conduct operations contrary to Article 5 of this Law, it shall be 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 which has acted contrary to Article 3 paragraph 2 of this Law shall be 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's operation, shall be prohibited from disclosing data and information determined by Law and bank's statute and other bank's acts as a business secret.

The commitment stipulated under paragraph 1 of this Article shall refer 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 persons and legal entities, as well as data on the operations of natural persons through their giro and current accounts and the operations of legal entities 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 shall be obliged to submit a written notification to the Central Registry on the number of the account with the bank that has been continuously blocked for more than 45 days.

The bank shall be obliged to submit the notification from paragraph 1 of this Article on the first 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 operations of the bank endanger the timely settlement of the liabilities towards its creditors:

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

2. Submit a request for convening a meeting of the Board of Directors or Shareholders Assembly to review the condition and to reach an agreement on the measures needed to improve the condition 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 banks' operations to cease conducting business transactions in a manner that may jeopardize 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 complying with the legal regulations that will be transformed into a protocol and signed by both parties. Majority of the members of the Board of Directors shall sign 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 sheet 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 voting right to reduce their ownership share to below 10 percent;

13. Assign measures to improve the bank's procedures for collection of due claims;

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

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

16. Limit the salaries and allowances of the members 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;

20. Revoke the founding and operating license of the bank;

21. Order the bank to increase its capital;

22. Demand from one or more shareholders to rehabilitate the bank;

23. Ban the bank from extending credits or other forms of credit exposure to affiliated entities, except in cases they are collateralized by securities issued or guaranteed by the Government of the Republic of Macedonia or the European Union, which are kept by an individual third party - a deposit institution, and the market value of which at all times exceeds 125% of the amount of the credit, or other form of credit exposure.
24. The interest rates that the bank pays on deposits not to exceed the amount of the common interest rates which are valid for the deposits in the respective amount and maturity in the Republic of Macedonia;

25. The bank, parts of the bank or its subsidiaries to terminate or to reduce the scope of activities that generate losses in the bank's operations according to the estimations of the National Bank;

26. Require from the bank to release from duty one or more persons with special rights and responsibilities who had that status for 180 days before the bank became undercapitalized;

27. The bank to liquidate the subsidiary or another part of the bank which according to the assessment of the National Bank are threaten by insolvency, or are causing losses in the bank's operations;

28. Ban on conducting part of or all financial activities;

29. Limiting the increase in the placements;

30. Exclusion from participating in the foreign exchange market;

31. Cessation of the international payments, except the payments based on due liabilities; and

32. Limiting the foreign indebtedness.

The National Bank shall oversee the implementation of the measures under paragraph 1 of this Article.

The Governor may authorize an employee from the National Bank to conduct an oversight over the implementation of the measures prescribed under paragraph 1 of this Article also within the bank itself.

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 on 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 shall be obliged to call a meeting of the National Bank 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.

Article 86 shall be deleted\(^2\)

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\(^2\)This Article shall be deleted pursuant to the Law on Amendments to the Banking Law ("Official Gazette of RM" No. 51/03)
1. 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 additional 6 months at the most by a special decision of 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 shall be committed to protect the interests of the bank’s depositors and creditors.

The National Bank shall be 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 Board of Directors 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 Board of Directors 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 on revoking 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 shall be 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, shall be 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 duties of the conservator shall cease:

1. when the terms of his appointment expires;
2. on the date when the decision on 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 one or at most three receivers 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 shall be 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, shall be 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 shall be 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 correspondent banks that the individuals previously managing the bank have been dispossessed of their authorizations 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 shall 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 exceeding one year;

3. the amount of the assets, 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 shall be 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 shall 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 during 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 fulfilling 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 shall pass a Decision on initiating rehabilitation procedure in the bank.

With the adoption of the Decision under 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 shall be obliged to write off the losses and potential losses at the expense of the bank's capital.

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

The Governor of the National Bank shall be 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 Vice-Governors of the National Bank.

The Decision stipulated under paragraph 1 of this Article shall also be submitted to the Deposit Insurance Fund and to the Ministry of Finance.

**Article 98**

Forthwith upon his/her appointment, the receiver shall establish a new balance sheet of the bank, based on the findings of the NBM about the values of the bank’s assets in accordance with valuation standards and procedures prescribed by a decision 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 credits 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 by the tenth day of each month report 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 authorization.

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 on fulfillment of the conditions for initiation of a bankruptcy proceeding may be submitted by the bank creditor and founders.

Article 101
The Governor of the National Bank shall pass 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 National Bank Council shall decide 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 shall be submitted to the bank in which a bankruptcy proceeding is instituted, to the bank which assumed the deposits, to the institution responsible for the payment operations, to the proposer from Article 100 paragraph 2 of this Law, to the court in which the bank is registered in the trade registry, to the Deposit Insurance Fund and to the Ministry of Finance.

Article 103
The authorized court shall pass 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 shall be obliged to record the balance 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 shall be 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 on determining 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 shall appoint 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 shall be 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 on a bankruptcy proceeding is 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 shall be 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 shall be considered to be matured, with the exception to the claims by foreign creditors guaranteed by the National Bank;
4. The bank deposit guarantees shall be reduced by the funds in vault cash; and
5. The operating costs of the bank shall be covered by the advance the bankruptcy board requires from the proposer of the bankruptcy.

**Article 107**
The Creditor Committee shall have an advisory role in the bankruptcy proceedings.

**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, shall be 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 put the Decision on view 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 shall be 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 shall pass a Decision on determining the conditions for initiation of 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 National Bank Council 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 the conditions for initiation of a bankruptcy proceeding in a bank through the mass media and to put the Decision on view in the bank.

The final Decision on determining the conditions for initiation of a liquidation proceeding in a bank shall be submitted to the bank that has taken over the operations of the bank in liquidation, to the institution responsible of the 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, shall be obliged to record the balance of all assets and liabilities, and to submit the minutes to the National Bank within 10 days upon receipt of the final Decision on determining the conditions for initiation of a liquidation procedure.

The National Bank shall be 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 Decision on founding.

**XIII. PENALTY CLAUSES**

1. **Criminal act**

**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.

The financial benefit obtained by the criminal act under paragraph 1 of this Article shall be confiscated with court decision.

**Article 117-a**
The person/entity which shall use the word bank contrary to Article 3 paragraph 2 of this Law, thus causing damage to legal entities and natural persons, shall be sentenced from three to ten years of imprisonment.

The level of the damage and the number of the damaged entities, as well as the influence on the financial system in general, shall be of significant influence when determining the penalty.

The financial benefit acquired by committing the criminal act under paragraph 1 of this Article shall be confiscated with court decision.

**Article 117-b**
The person/entity which shall accept deposits contrary to Article 5 of this Law thus causing damage to legal entities and natural persons, shall be sentenced from three to ten years of imprisonment.

The level of the damage and the number of the damaged entities, as well as the influence on the financial system in general, shall be of significant influence when determining the penalty.

The financial benefit acquired by committing the criminal act under paragraph 1 of this Article shall be confiscated with court decision.
**Article 117-c**

The person/entity which shall acquire shares in a bank without obtaining prior approval from the National Bank stipulated in Article 11 paragraphs 1 and 4 of this Law shall be sentenced from three to ten years of imprisonment.

The consequences for the bank's management and operations and for the financial system in general, shall have a significant influence when determining the penalty.

The financial benefit acquired by committing the criminal act under paragraph 1 of this Article shall be confiscated with court decision.

The shares acquired without obtaining prior approval from the National Bank shall be sold by the court in a procedure prescribed in Article 11 of this Law and in accordance with the provisions of the Law on Securities referring to the trading with securities. The funds obtained by selling the shares shall be considered revenues in the Budget of the Republic of Macedonia.

**Article 118**

An employee of a bank who exercising his/her regular duties premeditatedly fails to 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:

1. failing to maintain the amount of the capital pursuant to the Law (Article 8);
2. if the amount of the preference shares in the bank exceeds the percentage prescribed in Article 10 paragraph 1 of this Law;
3. failing to submit a Decision on registration to the National Bank pursuant to Article 13 and Article 21-a of this Law;
4. conducting operations for which it has not obtained a license from the National Bank (Article 17);
5. making status changes without an approval from the National Bank (Article 21);
6. failing to apply for an approval from the National Bank pertaining to instances stipulated under Article 25 paragraph 1 of this Law;
7. failing to notify the National Bank about the instances and within the deadlines under 26 of this Law;
8. failing to adjust the capital and the guarantee capital and their level pursuant to Article 27 paragraph 1, and related to Articles 29 and 30 of this Law;
9. failing to establish special reserve in the amount and in the manner prescribed by the National Bank (Article 33);
10. failing to maintain the exposure to separate types of risks within the limits prescribed by this Law and failing to comply with the supervisory regulations of the National Bank it is obliged to pursuant to Article 27 paragraph 2, and related to Articles 31 to 37 of this Law;
11. extending credits contrary to Articles 35, 36, 37 and 38 of this Law;
12. buying back its own shares contrary to Article 38 paragraph 3 of this Law;
13. failing to comply with Article 39 of this Law;
14. failing to maintain the solvency and liquidity in the operations (Articles 40 and 42 of this Law);
15. making payments contrary to Article 41 of this Law;
16. failing to comply with the provisions of this Law pertaining to the open foreign exchange position (Article 43);
17. conducting activities without obtaining a special approval from the National Bank (Article 46 paragraph 2);
18. failing to issue a savings book to natural persons or opening a savings book to legal entities and charity organizations (Article 50);
19. failing to display the terms and conditions for operations with savings deposits publicly in the teller's premises (Article 52);
20. accepting a deposit and executing an order for payment or transfer of funds or other property contrary to Article 53 paragraph 1 of this Law;
21. failing to notify the Anti-Money Laundering Department and failing to submit other relevant information to the authorized body (Article 53 paragraph 3);
22. failing to convene the General Meeting of the Shareholders pursuant to Article 57 of this Law;
23. appointing an individual to be a member of the Board of Directors who may not become a member of the Board of Directors (Article 58 paragraph 4);
24. failing to convene a meeting of the Board of Directors (Article 58, paragraph 7)
25. failing to establish an Internal Audit Department, Risk Management Board and Auditing Board (Article 59 paragraph 4 items 17 and 18, Article 61 and Article 66);
26. failing to act in accordance with Article 68 of this Law;
27. failing to prepare a financial statement and consolidated financial statement in accordance with Article 69 of this Law or failing to submit it to the National Bank in accordance with Article 73 of this Law;
28. failing to select an auditing company and acting contrary to Article 72 of this Law;
29. failing to publish a summary of its audited financial statement (Article 76);
30. failing to give access to, or failing to provide the documentation requested in accordance with Article 79 of this Law;
31. disclosing a business secret contrary to Articles 83 and 84 of this Law;
32. carrying out domestic payment operations in defiance with the provisions;
33. failing to submit a written notification to the Central Registry within the period determined by Article 84-a of this Law; and
34. failing to submit timely and true 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 fined in the amount of 10,000 to 50,000 Denar.

The Executive Body of a bank and other persons with special rights and responsibilities who have been fined 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**
Fine in the amount of Denar 100,000 to 300,000 shall be charged for infraction:
1. made by a brokerage company or stock exchange for executing a transaction contrary to Article 11 paragraphs 2 and 6 of this Law;

2. made by the Central Depository for subscribing shares contrary to Article 11-a, paragraph 3 of this Law;

3. made by a legal entity for failing to notify the National Bank in accordance with Article 11-b of this Law;

4. if failing to notify the National Bank for the change under Article 26 paragraph 3 of this Law;

5. if failing to notify and to submit proofs to the National Bank for the source of funds in accordance with Article 26 paragraph 4 of this Law;

6. made by a legal entity failing to submit the data prescribed under Article 69 paragraph 6 of this Law to the bank;

7. made by an auditing company failing to submit a written report in accordance with Article 75 of this Law and

8. made by an auditing company failing to submit the reports stipulated under Article 76 paragraph 1 of this Law.

The responsible individual of the legal entity shall be fined in the amount of Denar 10,000 to 50,000.

**Article 121**

A natural person shall be fined for infraction from Denar 10,000 to 50,000 in the following instances:

1. failing to notify the National Bank in accordance with Article 11-b of this Law;

2. failing to notify the National Bank on the change under Article 26 paragraph 3 of this Law; and

3. failing to notify and to submit an evidence to the National Bank for the source of funds in accordance with Article 26 paragraph 4 of this Law.

**XIV. TRANSITIONAL AND CLOSING PROVISIONS**

**Article 122**

On the date the Banking Law ("Official Gazette of the Republic of Macedonia" No. 63/00) enters into force, the Banks and Savings Houses Act ("Official Gazette of the Republic of Macedonia" No. 31/93, 78/93, 17/96, 37/98 and 25/00) with an exception to the provisions from part II Savings Houses, part III – a) Deposit Insurance Fund and the provisions from Articles 93-a to 93-l, part 2-a, Bank Rehabilitation Agency of the Republic of Macedonia, Articles 131-b and 131-d 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 ("Official Gazette of RM" No. 63/00).

**Article 123**
The National Bank shall be required to replace the banks founding acts with Decisions on issuing founding and operating license of a bank containing the elements stipulated under Article 17 paragraph 3 of this Law within a period of six months from the day this Law enters into force.

**Article 124**
Banks established in the Republic of Macedonia by the time this Law enters into force shall be 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**
The revised text of this Law shall comprise the Banking Law ("Official Gazette of RM" No. 63/00) and the Law on amendments to the Banking Law ("Official Gazette of RM" No. 37/02 and 51/03 and 85/03), containing the date of their entering into force.