



NATIONAL BANK OF THE REPUBLIC OF MACEDONIA

Pursuant to Article 31 and Article 64 paragraph 1 item 22 of the Law on the National Bank of the Republic of Macedonia ("Official Gazette of the Republic of Macedonia", No. 3/2002, 51/2003, 85/2003, 40/2004, 61/2005 and 129/2006) and Article 18 paragraph 5 of the Banking Law ("Official Gazette of the Republic of Macedonia" No. 67/2007), the National Bank of the Republic of Macedonia Council adopted the following

DECISION

on the method of determining connected persons/entities ("Official Gazette of the Republic of Macedonia" No. 31/2008)

1. This Decision shall set forth the method of determining connected persons/entities and persons/entities connected to the bank, for the purposes of bank founding and operating.

2. Connected persons/entities shall be two, or more persons/entities which:

- represent a single risk, as one of them directly, or indirectly exercises participation or control over other person/entity or other persons/entities;
- represent a single risk, although they are not control-related, because they are interconnected such that the financial problems in one of them are likely to make other person(s)/entity(s) in default.

Two natural persons shall be considered connected if one of them is a spouse, or a person whom they live within an extramarital union (illegitimately), a child, or a foster child, parent, or person under guardianship of the other natural person.

3. Indirect participation or control shall represent participation or control in the legal entity's capital or voting rights exercised by person/entity through other person/entity having direct participation or control in the legal entity.

For the purpose of this item:

- the person/entity exercising indirect participation, or control through other person/entity shall be person/entity A;
- the person/entity having direct participation, or control in legal entity shall be person/entity B;
- legal entity shall be entity C.

From the aspect of item 2 paragraph 1 indent 1, connected persons/entities shall be deemed person/entity A and entity C, if the person/entity A takes control in the person/entity B, which exercise participation, or control in entity C.

In instances under paragraph 3 of this item the total holding or the total voting rights of person/entity A in the entity C shall represent a sum of:

- direct holding, or voting rights of the person/entity A in the entity C;
- direct holding, or voting rights of the person/entity B in the entity C;

- the holding, or voting rights of the person/entity that acts for the account of persons/entities A or B in the entity C.

By exception to paragraph 4 of this item, the total holding, or the total voting rights shall not include the holding or the voting rights arising from shares possessed by the persons/entities under paragraph 4 of this item, if there are restrictions, in any form, for using the voting right arising from that holding, i.e. those shares.

4. In light of item 2 paragraph 1 indent 1, connected persons/entities shall be deemed, at least, the following:

- two, or several entities in which the majority members of the supervisory and management bodies are same;
- the legal entities and the natural persons assigned as their representatives in the supervisory or management bodies of other legal entities;
- entity being controlled by same person/entity or persons/entities.

5. In light of item 2 paragraph 1 indent 2 of this Decision, connected persons/entities shall be considered at least the following:

- the exposures approved to one person/entity, directly or indirectly, are used for financing the activities of other person/entity or other persons/entities;
- legal entities and the persons that are members of the supervisory bodies and/or management bodies of those legal entities;
- persons/entities having joint primary source of funds for repayment of their liabilities.

Connected persons/entities shall be considered also those, which pursuant to the Banking Law and this Decision, are deemed connected with the persons/entities under paragraph 1 of this item.

6. Connected persons/entities shall not be considered the legal entities the majority holding of which, i.e. the majority of the voting rights is possessed by the central or the local government of the Republic of Macedonia.

7. Persons/entities related to the bank shall be:

- the bank subsidiary and other persons/entities the bank has close links with;
- shareholders with qualified holding in the bank and persons/entities connected thereto, as well as the responsible persons of those shareholders - legal entities; and
- persons with special rights and responsibilities at the bank and the persons/entities connected thereto.

The persons/entities under paragraph 1 of this item shall be considered as interconnected persons/entities, i.e. considered to represent single risk, at least in the following instances:

- shareholder that controls the bank, together with the persons/entities connected thereto and all entities the bank exercises control or participation in and the persons/entities connected thereto;
- shareholder with qualified holding in the bank, together with the persons/entities connected thereto and the persons appointed as its representative in the bank bodies and all persons/entities connected with that person.

8. Besides the instances in this Decision, connected persons/entities shall be considered also all persons/entities the bank, or the National Bank, consider that there is a single risk, pursuant to the provisions of the Banking Law.

9. The bank shall be required to have policy and procedures for identification and monitoring of the connection of its clients and the persons/entities connected thereto.

For determining the connection, the bank shall be obliged to obtain the necessary documentation for the ownership structure and the financial standing of the persons/entities, as well as any other documentation that can provide data on existence or nonexistence of connection with other persons/entities - bank clients, or persons/entities related to it.

10. The provisions of this Decision referring to banks shall pertain to the savings houses, as well.

The foreign bank branches shall be required to appropriately apply the provisions of this Decision, having in mind the provisions of the Banking Law and the by-laws resulting thereof, which regulate the operations of the foreign banks' branches in the Republic of Macedonia.

11. This Decision shall enter into force on the eighth day from its publishing in the "Official Gazette of the Republic of Macedonia".

The bank shall be required to prepare the policy and the procedures under item 9 paragraph 1 of this Decision, until May 01, 2008, at the latest.

12. With the effectiveness of this Decision, the Decision on defining and the method of determining related entities according to the Banking Law ("Official Gazette of the Republic of Macedonia" No. 28/2001) shall become void.

D. no. 02-15/II-1/2008
February 28, 2008
Skopje

Petar Goshev, MSc.
Governor
and President of the National Bank
of the Republic of Macedonia Council