



NATIONAL BANK OF THE REPUBLIC OF MACEDONIA

Pursuant to 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 53 paragraph 2 of the Banking Law ("Official Gazette of the Republic of Macedonia" no. 67/2007), the National Bank of the Republic of Macedonia Council passed the following

DECISION **on the method of operating a foreign bank branch** **("Official Gazette of the Republic of Macedonia" no. 105/2007)**

I. GENERAL PROVISIONS

1. This Decision shall specify in more details the application of the provisions of the Banking Law pertaining to supervisory standards, Board of Directors, reports, accounting and audit, bank secrecy, supervision, inspection and measures in the operations of a foreign bank branch in the Republic of Macedonia (hereinafter referred to as: branch).

2. The Decision shall not exclude the application of all other provisions of the Banking Law that are not specified in details by this Decision, and which pertain to supervisory standards, Board of Directors, reports, accounting and audit, bank secrecy, supervision, inspection and measures.

II. SUPERVISORY STANDARDS

1. Solvency and capital adequacy

3. The branch shall determine capital adequacy ratio as stated under the Banking Law and the bylaws resulting thereof, taking into account the provisions of items 4, 5 and 6 of this Decision.

4. The deposit required by the foreign bank to pay in and maintain under the Banking Law shall be treated as own funds. The increase of the branch's own funds may only be in money form.

5. The branch's capital adequacy ratio shall be determined by applying the methodology prepared by the National Bank of the Republic of Macedonia (hereinafter referred to as: National Bank), taking into account the provisions of this Decision.

6. When determining the risk-weighted assets, 0% weigh shall be applied to the exposure of the branch to the foreign bank that opened it (hereinafter referred to as: foreign bank).

2. Risk management

7. The foreign bank shall specify, by a general act and internal procedures, the criteria, manner and methods of risk management by the branch, observing the minimum standards set by the National Bank.

In the case of amendment or adoption of a new act and internal procedures, the branch shall submit them to the National Bank, within 20 days after their adoption.

3. Exposure

8. The total exposure of the branch to the foreign bank, and the persons connected thereto, shall not exceed the amount of the branch's total liabilities to the foreign bank and the persons connected thereto.

The exposure referred to in paragraph 1 of this item shall also include exposure to persons who manage the branch and the persons related thereto.

The determination of the total liabilities referred to in paragraph 1 of this item shall also take into account the amount of deposit the foreign bank is required to pay in and maintain in accordance with the Banking Law.

9. Prior approval shall be needed from a competent body of the foreign bank for loans and other forms of exposures to person and persons connected thereto, other than persons under item 8 of this Decision, the extension of which reaches or exceeds 10%, 15% or 20% of the branch's own funds.

10. The total amount of all large exposures of the branch shall not exceed eight times of the amount of the own funds. The exposure to persons referred to in item 8 of this Decision shall not be included in the total amount of all large exposures.

III. BRANCH MANAGEMENT

11. The foreign bank shall regulate the branch management by an internal act, according to the financial activities conducted by the branch and the level of risks it is exposed to as a result of such activities.

The internal act referred to in paragraph 1 of this item shall regulate the number, compositions, competencies, rights, responsibilities and method of operation of the branch's bodies and the persons who manage the branch.

12. Persons managing the branch shall meet the requirements that apply to a member of a Board of Directors, specified by the Banking Law and the bylaws resulting thereof.

Persons who manage the branch shall be appointed by the foreign bank, upon prior approval issued by the Governor of the National Bank.

13. Persons who manage the branch shall be responsible for conducting activities, which according to the Banking Law, are required to be conducted by the members of the Board of Directors.

14. If the number of persons who manage the branch drops below the minimum set under the Banking Law, the foreign bank shall appoint a person or persons to manage the branch temporarily - acting manager/s, within eight days after the occurrence of such reduction.

The acting manager referred to in paragraph 1 of this item shall meet the requirements that apply to a person with special rights and responsibilities in a bank, defined by the Banking Law and the bylaws resulting thereof.

The foreign bank shall notify the National Bank on the appointment of acting manager/s. The acting manager shall perform this duty for three months, at the most.

The foreign bank shall, within 30 days after the appointment of the acting manager, submit a request to the National Bank for prior approval for appointment of a person who will manage the branch.

IV. REPORTS, ACCOUNTING AND AUDIT

15. The branch shall submit reports and data to the National Bank, consistent with the forms, types, methodology, contents and deadlines prescribed by the National Bank.

The branch shall disclose the reports and data prescribed by the National Bank.

16. All reports and data shall be submitted to the National Bank and disclosed in Macedonian language.

17. Besides the annual report on the operations and the audit report, the branch shall also submit to the National Bank an annual report on the operations and audit report of the foreign bank, including audit report on consolidated financial statement of the banking group, provided that the foreign bank is a member of such group.

The branch shall submit the reports referred to in paragraph 1 of this item, within 30 days from their adoption by the competent body of the foreign bank or of the parent entity of the banking group.

18. The audit-related provisions of the Banking Law shall respectively apply to the audit company that audits the annual financial statements of the branch.

The audit-related provisions applicable in the country of the head office of the foreign bank, i.e. the head office of the parent entity of the banking group shall apply

to the audit company that audits the annual financial statements of the foreign bank, i.e. the consolidated financial statements of the banking group.

V. BANK SECRECY

19. The branch may submit, to the competent supervisory authority of the country of registration of the foreign bank's head office, documents, data and information, which according to the Banking Law, are considered a bank secret, provided that they are needed for the supervision of the foreign bank.

The competent supervisory authority referred to in paragraph 1 of this item shall keep the received data and may use it only for the purposes for which they have been received.

VI. SUPERVISION AND INSPECTION

20. The National Bank shall supervise the operations of the branch as specified by the provisions of the Banking Law, the bylaws resulting thereof and agreements concluded with the competent supervisory authority of the country of registration of the foreign bank's head office.

VII. MEASURES

21. If the branch or the foreign bank fails to observe the provisions regulating the operations of branches in the Republic of Macedonia or fails to observe its internal procedures, the Governor shall undertake measures and assign deadlines for their implementation consistent with the Banking Law.

22. The National Bank shall notify the foreign bank (if the measure has been undertaken against the branch) and the competent supervisory authority of the country of registration of the foreign bank's head office on the measures undertaken in line with item 21 of this Decision.

VIII. TRANSITIONAL AND FINAL PROVISIONS

23. This Decision shall enter into force eight days after its publishing in the "Official Gazette of the Republic of Macedonia".

D. No. 02-15/VIII-3/2007
August 29, 2007
Skopje

Petar Goshev, MSc.
Governor

President
of the National Bank of the Republic
of Macedonia Council