



NATIONAL BANK OF THE REPUBLIC OF MACEDONIA

Pursuant to Article 64 item 22 of the Law on the National Bank of the Republic of Macedonia ("Official Gazette of RM" no. 3/2002, 51/2003, 85/2003, 40/2004, 61/2005 and 129/2006) and Article 17 paragraph 5 and Article 22 paragraph 2 of the Banking Law ("Official Gazette of RM" no. 67/2007), the Council of the National Bank of the Republic of Macedonia passed the following

DECISION on Issuing Licenses to Bank ("Official Gazette of RM" no. 91/2007)

I. GENERAL PROVISIONS

1. This Decision shall regulate:

- The type and manner of submission of the documents, data and information and the procedure for their assessment when issuing a license for founding and operating a bank;
- The type and manner of submission of the documents, data and information and the procedure for their assessment when issuing a license for founding and operating a bank controlled by a foreign bank and/or foreign entity with participation in a foreign bank;
- The documentation, procedure and criteria for issuing a license for status changes in a bank.

II. ISSUING A LICENSE FOR FOUNDING AND OPERATING A BANK

2. The following documentation shall be submitted to the National Bank of the Republic of Macedonia (hereinafter: the National Bank) for obtaining temporary license for founding and operating a bank:

2.1 Completed application for issuing a license for founding and operating a bank (Form 1).

2.2 Draft articles of incorporation, which shall include at least the following data:

- name and head office of the bank;
- financial activities to be performed by the bank;
- amount of the initial capital;
- nominal value of the shares, number of shares of any type and class, rights, obligations, restrictions and benefits that arise from the shares;
- manner of acquiring and cease of the rights of the bank's shareholders;
- procedure for scheduling and holding of the General meeting of shareholders;
- for a person who intends to found a bank – domestic natural person, it is necessary to submit the name and surname and the national identification number of the citizen; for a person who intends to found a bank – foreign natural person, it is necessary to submit the name and surname, citizenship, place of living and number of passport or other document valid in his/her country for determining the identity; for an entity that intends to found a bank – domestic and foreign

legal entity i.e. company, it is necessary to submit data on the head office and the identification number of the entity (or other unique identification number, applicable in the country);

- type, composition, number, manner and conditions for election, term, rights, duties, responsibilities and manner of operation of the bank's bodies;
- number, term, rights, responsibilities and conditions for appointment of the persons with special rights and responsibilities in the bank;
- manner of resolution of the disputes between bank's shareholders;
- manner of resolution of the conflict of interests and protection of the confidentiality of the bank's data;
- manner of management of the bank and representation of the bank by the members of the management board;
- form and manner of publication of data by the bank and
- conditions and cases for ceasing of the bank's operation.

2.3 Strategic and operational plan of the bank, which shall include at least:

- explanation i.e. analysis of the reasons for founding a bank and of the bank's business objectives;
- review of the market where the bank will participate, structure of the bank's clients and the type of financial activities the bank will perform, including the activities that the bank intends to specialize in, as well as the manner of specialization;
- description of the management and internal control systems;
- bank's head office, as well as the possible number and location of the branches, windows and other parts and the deadline in which the bank intends to open them;
- bank's organization structure with special description of the scope of operation and responsibilities of the persons with special rights and responsibilities and of any organization part, the mutual relations and the relations with the bank's supervisory and management bodies, as well as the description of the necessary number of employees and their qualification structure;
- projection of the scope and nature of the financial activities the bank will perform and shareholders' plan for the future development of the bank, from the viewpoint of the increase in the own funds in the following five years, as well as projection of the financial statements for the following five years, including quarterly projections for the first year.

The projections should include the following:

- detailed balance sheet, income statement and cash flow report with commentary on each position and the basic assumptions for the projection,
 - the trends in the financial indicators and supervisory standards such as the capital adequacy ratio, the liquidity, profitability and asset quality indicators,
 - the trends in the financial indicators and supervisory standards on consolidated base, if the bank intends in the following five years, to invest in other banking and non-banking financial institutions, establishing a banking group;
- planned date of commencement of activity.

2.4 Data on the identity, education, experience and professional history of the proposed members of the Supervisory board and the Board of directors.

2.5 Data on the bank's information system and technical capacities from the viewpoint of its capacity to perform the planned financial activities.

The documentation on the information system should be based on the minimum standards for information system security and provision of business continuity, prescribed by the Council of the National Bank. If the performance of the information system is envisaged to depend on external vendors (auxiliary services undertakings) relevant data shall be submitted on the implementation of the standards for information system security and provision of the business continuity by those vendors.

The documentation on technical capacities should include data on the business premises of the bank (own, leased, location, area and dynamic of equipping and commissioning) and on the technical equipment which will be used by the bank. The bank should submit documentation on the basic characteristics of the servers, communication connections and databases that will be used, as well as on the method of functioning of the main components of the information system and applicative solutions.

2.6 Data on the entities that intend to found a bank, as follows:

a) Data on legal entities:

- completed Questionnaire for legal entities which intend to found a bank (Form 2);
- decision by the competent body in the legal entity for participation in the founding of the bank;
- statement signed by competent body of the legal entity given under full criminal and material accountability on the origin of the invested funds i.e. the basis for acquiring shares in the bank, together with a relevant proof on the source of the funds the entity invests in the bank (audit report, annual account or other relevant proof);
- a certificate from a relevant court or other competent institution that there is no ban on performing a profession, activity or duty imposed on the legal entity;
- statement signed by competent body of the legal entity given under full criminal and material accountability on the existence i.e. non-existence of connection to the other entities that intend to found the bank, as well as on the connections to other legal entities and natural persons in accordance with the Banking Law;
- a certificate from relevant institution on regular payment of the public duties and a certificate from relevant institution that the property is not burdened with liabilities toward the state and other legal entities and natural persons;
- a certificate from relevant institutions that bankruptcy or liquidation procedure has not been initiated against the legal entity;
- audit report or annual account of the legal entity for the last three years. The legal entities that have been established and operate for less than three years, are obligated to provide audit reports for the last three years for their shareholders – legal entities, i.e. to submit the documentation stipulated in sub-item b) of this item for their shareholders – natural persons who have participation in the legal entity's capital exceeding 10%. The audit report submitted for a foreign legal entity that intends to found a bank, or is a shareholder of the legal entity that intends to found a bank, should be prepared by reputable international audit company. The audit report of the domestic legal entity that intends to found a bank, or is a shareholder of the legal entity that intends to found a bank, shall be submitted if the Law on Trade Companies prescribes an obligation to prepare audit reports or if it intends to have qualified holding in the bank.

The legal entity which intends to acquire qualified holding in a bank shall submit also the following documents:

- excerpt from the registry where the head office of the legal entity is registered;
- articles of incorporation of the legal entity and list of members of its management bodies;
- list of persons/entities who direct or indirect ownership of more than 10% of the shares, i.e. stakes in the legal entity; and
- list of legal entities where the legal entity holds, directly or indirectly, more than 10% of the shares, i.e. stakes with financial statements for the last three years.

The obligation stipulated in paragraph 2 indent 4 of this sub-item applies to consolidated financial reports, if the legal entity that intends to acquire qualified holding in a bank is obligated to prepare such reports, according to the applicable accounting regulations in the Republic of Macedonia or in the country of residence.

b) Data on natural persons:

- completed Questionnaire for natural persons who intend to found a bank (Form 3), together with a copy of an identity card or a passport (for foreign natural persons);
- statement given under full criminal and material accountability on the origin of the invested funds i.e. the basis for acquiring shares in the bank, together with a relevant proof on the source of the funds the person invests in the bank (inheritance decision, receipt from a bank or other financial institution on the amount and date of deposited funds, document on the amount of the salary and revenues attained from other sources and other relevant proof);
- a certificate from a relevant court that there is no ban on performing a profession, activity or duty imposed on the natural person;
- statement given under full criminal and material accountability on the existence i.e. inexistence of connection to the other persons/entities that intend to found a bank, as well as on the connections to other legal entities and natural persons in accordance with the Banking Law;
- a certificate from relevant institution on regular payment of the public duties and a certificate from relevant institution that the property is not burdened with liabilities toward the state and other legal entities and natural persons.

The National Bank, ex officio, from the Ministry of Internal Affairs of the Republic of Macedonia shall provide notifications on conviction i.e. non-conviction of the person who intends to found a bank. If the person who intends to found a bank is a foreign citizen, he/she is obligated to provide such statements from the competent authorities in the foreign country.

3. The additional documentation which the Governor may request according to the Banking Law, in order to decide upon the application for issuing a license for founding and operating a bank, may include particularly, but not limited to, the following documents, data and information:

- statement of the balance on the accounts in banks for certain period, for the entity that intends to found a bank;
- data on the legal status, financial standing and ownership structure of the persons/entities controlling the entity that intends to found a bank;
- data on the composition of the banking or other group, if the entity who intends to found a bank is a member of such group, including list of the group members and description of their connection;
- audited financial reports of other members of the banking or other group, if the entity that intends to found a bank is a member of such groups or of other entities connected to the entity that intends to found a bank, whose operation may

influence the operation and/or the risks which the newly established bank may be exposed to.

4. Regarding the application for issuing temporary license for founding and operating the Governor shall issue a decision for issuing temporary license or for rejecting the application within the deadlines prescribed in the Banking Law.

The Governor shall reject the application stipulated in paragraph 1 of this item if, with the assessment from item 7 of this Decision, he/she finds that the criteria prescribed in the Banking Law have not been fulfilled.

5. In order to be issued a license for founding and operating, the bank is obligated to fulfill the requirements provided in the temporary license within the deadline prescribed in the Banking Law, and in order to prove that, it shall submit the following evidence to the National Bank:

5.1 Evidence that the initial capital has been deposited on a temporary account with a payment operations carrier i.e that the foreign legal entity or natural person has deposited the funds in foreign currency on a special account with the National Bank.

5.2 Statute which should include the following minimum data:

- name and head office of the bank;
- financial activities that the bank will perform;
- amount of the initial capital;
- nominal value of the shares, number of shares of any type and class, rights, obligations, restrictions and benefits that derive from the shares;
- manner of acquiring and cease of the rights of the bank's shareholders;
- procedure for scheduling and holding of the General meeting of shareholders;
- for a person who intends to found a bank – domestic natural person, it is necessary to submit the name and surname and the national identification number; for a person who intends to found a bank – foreign natural person, it is necessary to submit the name and surname, citizenship, place of living and number of passport or other document valid in his/her country for determining the identity; for an entity that intends to found a bank – domestic and foreign legal entity i.e. company, it is necessary to submit data on the head office and the identification number of the entity (or other unique identification number, applicable in the country);
- type, composition, number, manner and conditions for election, term, rights, duties, responsibilities and manner of operation of the bank's bodies;
- number, term, rights, responsibilities and conditions for appointment of the persons with special rights and responsibilities in the bank;
- manner of resolution of the disputes between bank's shareholders;
- manner of resolution of the conflict of interests and protection of the confidentiality of the bank's data;
- manner of management of the bank and representation of the bank by the members of the management board;
- form and manner of publication of data by the bank and
- conditions and cases for ceasing of the bank's operation.

5.3 Data on the identity, education, experience and professional history of the persons with special rights and responsibilities, except for the members of the Supervisory board and the Board of directors.

5.4 Number of employees by organizational units, data on the education of the persons involved in performing of financial activities and training plan for the following three years. If necessary, a plan for reaching the planned number of employees shall also be submitted.

5.5 Evidence for lease or buying business premises and work equipment and establishing an information system.

5.6 Data on the system for management of risks the bank will be exposed during its operation as a result of the financial activities that it plans to perform, and risk management policies and procedures pertaining to the following:

- credit risk management, including the following: approval procedures, monitoring and classification of the credit risk exposure, procedures for impairment, i.e. allocating special reserve for covering of the credit risk, procedures for approval of exposure to entities connected to the bank, as well as procedures for country risk and concentration risk management;
- liquidity risk management;
- management of the market risk arising from, both the trading book and the banking book;
- currency risk management;
- operational risk management;
- legal risk management;
- management of other material risks to which the bank will be exposed depending on the financial activities it will perform.

5.7. Written policies and procedures for bank's operation, such as:

- procedures for the decision making process and the responsibilities of the individual persons involved in that process;
- policy on functioning of the internal control system;
- policy and work plan of the Internal Audit Department, at least for the first two years of the bank's operation;
- accounting policies and procedures;
- policy on the security of the information system and provision of business continuity ;
- policy and procedures for prevention of money laundering and financing of terrorism;
- policy on remuneration and training of the persons with special rights and responsibilities and of the other employees;
- employment procedures; and
- code of ethics.

5.8 Evidence (letter of intent, negotiations protocol etc.) for hired audit company.

6. The following shall be submitted together with the application for issuing license for founding and operating a bank:

- application for issuing approval for appointment of members of the Supervisory board and Board of directors, together with the documentation prescribed for issuing of this approval;
- documentation envisaged for issuing approval for commencement of the performance of financial activities that, according to the Banking Law, require prior approval by the Governor.

7. The decision on issuing license shall be made upon assessment if the bank fulfils the criteria prescribed in the Banking Law, at least through the following:

- determining of the identity of the entities who intend to found a bank, the entities connected thereto and their legal form;
- determining if the financial standing of the persons/entities who intend to found a bank corresponds to the value of the shares they intend to acquire;
- assessment of the possibilities for support of the planned growth of the bank's own funds by the persons/entities who intend to found a bank;
- determining the sources of funds, their origin and legality;
- the quality and reality of the strategic and operational plan. The plan shall be assessed from the aspect of the envisaged method of risk management, the method of establishing internal control systems, the reality for achieving the projection of the financial activities and financial reports and the possibility for achieving the shareholder's plan for future development of the bank;
- assessment of the adequacy of the number of bank employees necessary for its efficient management and operation. Adequate number of employees shall mean the number that assures that the bank will regularly and normally perform the planned scope of activities;
- assessment of the qualification, experience, training and reputation of the members of the Supervisory board and the Board of directors and of the persons/entities who intend to found a bank from the aspect of the financial activities that the bank will perform. The proposed members of the Supervisory board and the Board of directors, as well as the persons/entities who intend to found a bank shall be deemed to have the appropriate reputation if they are honest, competent, diligent and assure that their work will not endanger the bank's safety and soundness and that they will not disrupt the bank's reputation and trust. This means that there is no proof of his/her prior involvement in business operation or activities which meant noncompliance with the regulations and the business practices and procedures, disruption or jeopardizing the interests of the legal entity where this person worked or works, as well as endangering the interests of the bank or its depositors. If these entities are foreign bank or foreign entities with experience as shareholders or members of foreign banks' bodies, the relevant data to determine their qualifications, experience, training and reputation may be requested from the supervisory authority of their country of origin;
- assessment of the appropriateness of the information system and of the technical capacities of the bank for successful and secure performance of the financial activities. The information system shall be deemed appropriate if it provides permanent and secure support of the bank's operation and provides grounds for timely and accurate reporting of the persons with special rights and responsibilities and of the National Bank. The bank should have appropriate business premises and technical equipment that will provide its safe and smooth operation, as well as adequate separation of the business processes;
- assessment of the adequacy of the system for prevention of money laundering and financing of terrorism based on the established processes and software solution for monitoring of the risk from exposure of the bank to money laundering and financing of terrorism;
- assessment of the adequacy of the bank's organization structure, which includes at least defining of the work procedures for all business processes that will take place in the bank according to the planned financial activities, defining of the decision making and responsibility lines and establishment of a system for internal control in all business processes that involve certain risk level;
- the bank has the capacity to identify, measure, monitor and control the risks it is exposed to during the performance of the planned financial activities;

- determining if there are inconsistencies in the application that cannot be explained.

8. The Governor shall enact a decision for issuing license for founding and operating a bank or for rejecting the application within the deadlines prescribed in the Banking Law.

III. ISSUING A LICENSE FOR FOUNDING AND OPERATING A BANK CONTROLLED BY FOREIGN BANK OR FOREIGN ENTITY WITH A PARTICIPATION IN A FOREIGN BANK

9. Beside the documentation stipulated in item 2 and the applications in item 6 of this Decision, the foreign bank and/or the foreign entity is obligated to submit the following documentation to the National Bank together with the application for issuing a license for founding and operating a bank controlled by foreign bank or foreign entity with a participation in a foreign bank:

- certificate from the registry of the head office of the foreign bank and/or foreign entity, which shows the legal status and the date of registration;
- proof that the foreign bank i.e. the foreign bank where the foreign entity has a participation is authorized to collect deposits and other repayable sources of funds in the country of registration of the bank's head office;
- opinion of the competent authority in the country in which the head office of the foreign bank i.e. foreign bank where the foreign entity has a participation is registered, related to the acquiring control of a bank in the Republic of Macedonia;
- evidence that the competent body of the country in which the head office of the foreign bank i.e. of the foreign bank where the foreign entity has a participation is registered, exercises adequate supervision on consolidated basis through submission of data on the consolidation supervision regulations, policies and practice.

10. The additional documentation, that the Governor may require according to the Banking Law, in order to decide upon the application for issuing a license for founding and operating a bank controlled by foreign bank and/or foreign entity with a participation in a foreign bank, may include particularly, but not limited to the following documents, data and information:

- audit reports of the foreign bank or the foreign entity and the foreign bank where the foreign entity has a participation for the last three years, prepared by reputable international audit company;
- brief history of the operation and financial activities performed by the foreign bank i.e. foreign bank in which the foreign entity has a participation;
- data on the reporting lines between the bank controlled by a foreign bank and the bodies of the foreign bank;
- existing or planned investments in other banks or financial institutions in the Republic of Macedonia or in other countries by the foreign bank or the foreign entity;
- audited financial reports of other entities, members of a banking group, in which the foreign bank i.e. the foreign bank where the foreign entity has a participation and/or of other entities connected to the foreign bank i.e. foreign entity and the foreign bank in which that entity has a participation, whose operation could influence the activity and/or the risks to which the bank which is founded may be exposed;
- statement signed by a competent body of the foreign bank or the foreign entity, that the bank which is founded will comply with the supervisory standards

prescribed in the Banking Law and that it will submit data requested by the National Bank for the purpose of performing efficient supervision on individual and consolidated basis;

- statement issued by the competent authority in the country of registration of the head office of the foreign bank i.e. foreign bank in which the foreign entity has a participation, that it is willing to cooperate with the National Bank in line with the international principles and standards for cooperation and exchange of information for performing efficient supervision.

11. Upon the application for issuing a license for founding and operating a bank controlled by foreign bank or foreign entity with a participation in a foreign bank, the Governor shall adopt a decision for issuing temporary license or for rejecting the application, within the deadlines prescribed in the Banking Law.

The Governor shall reject the application stipulated in paragraph 1 of this item if, after the assessment stipulated in item 13 of this Decision, he/she finds that the criteria prescribed in the Banking Law are not fulfilled.

12. In order to be issued a license for founding and operating, the bank established by a foreign bank or foreign entity with a participation in a foreign bank is obligated to fulfill the requirements stipulated in the temporary license within the deadline prescribed in the Banking Law, and shall submit the relevant documentation stipulated in item 5 of this Decision to the National Bank.

13. The assessment stipulated in item 7 of this Decision, and the following shall apply when deciding whether the criteria stipulated in the Banking Law are met:

- the assessment of the supervisory regulations and practices of the country of the foreign bank i.e. foreign entity that intends to found a bank and whether a cooperation with the competent supervisory authority of that country in line with the international principles and standards for cooperation and exchange of information for performing efficient supervision, can be achieved;
- analysis of the regulations and practices of the country of the foreign bank i.e. foreign entity which intends to found a bank, in the field of financial reporting and accounting, prevention of money laundering and financing of terrorism, which impose a risk to bank's stability, safety and reputation i.e. its operation in accordance with the regulations.

14. Based on the assessment stipulated in item 13 of this Decision, the Governor shall adopt a decision for issuing license for founding and operating a bank or for rejecting the application within the deadlines prescribed in the Banking Law.

IV. ISSUING A LICENSE FOR STATUS CHANGES

15. Within the meaning of this Decision, the following shall be deemed as status changes:

- acquisition of a bank, savings house or other legal entity by a bank with transfer of the total assets and liabilities of the entity that is subject of acquisition, without its liquidation, in exchange of shares in the acquiring bank;
- merger of two or several banks or merger of one or several banks with other legal entities in one bank, where all the banks and/or legal entities lose their legal identity and a new bank is founded that shall take all the assets and liabilities of the banks and/or legal entities which are merged, in exchange of shares in the new bank;

- division of a bank through:
 - separation with establishment, through transfer of the total assets and liabilities to two or several new banks and/or new legal entities, where the divided bank ceases to exist without liquidation;
 - separation with takeover, through transfer of the total assets and liabilities to two or several existing banks and/or existing legal entities, where the divided bank ceases to exist without liquidation;
 - secession with establishment, through transfer of a part of the assets and liabilities to one or several new banks and/or new legal entities, where the divided bank does not cease to exist;
 - secession with takeover, through transfer of a part of the assets and liabilities to two or several existing banks and/or existing legal entities, where the divided bank does not cease to exist;
- transformation of a savings house into a new bank;
- merger of savings houses in order to found a bank.

16. A license from the Governor of the National Bank is not required for status changes made during implementation of a bank administration.

1. Required documentation attached to the application for status change - acquisition

17. The following documentation shall be attached to the application submitted to the National Bank for issuing a license for status change - acquisition:

17.1 Completed application for issuing a license for status change – acquisition (Form 1).

17.2 Decision of the competent bodies of the bank i.e. of the legal entity which is a subject of acquisition and of the acquiring bank, for initiation of an acquisition procedure.

17.3 New or amended Statute of the acquiring bank, if necessary, which has to include the data stipulated in item 5.2 of this Decision.

17.4 Acquisition agreement, signed between the supervisory board of the bank i.e. the management body of the legal entity that is acquired and the Supervisory board of the acquiring bank. The agreement should include the data prescribed in the Law on Trade Companies.

17.5 Strategic and operational plan and feasibility of the acquisition that should include analysis of the need for acquisition and projections of the financial statements of the acquiring bank, prepared according to item 2.3 indent 6 of this Decision.

If there are changes in the organization structure of the acquiring bank, the new organization structure with data on the scope of activities and the responsibilities of the persons with special rights and responsibilities of any organization unit, the mutual relations and the relations with the supervisory and management bodies of the acquiring bank, as well as the required number of employees, if possible, with their qualification structure, shall be submitted.

17.6 Data on the number and education of the employees taken from the bank or the legal entity that is acquired, and data on the professional history of the those employees who will have the status of persons with special rights and responsibilities in the acquiring bank.

17.7 Data stipulated in items 2.6 and 3 of this Decision on the identity of the legal entities that are acquired.

17.8 Balance sheet of the acquiring bank, which shows the amount of its own funds. The balance sheet of the acquiring bank shall be prepared with consolidation of the mutual claims and liabilities of the banks i.e. legal entities that are subject of acquisition, audited by an authorized auditor.

17.9 The requirements stipulated in item 6 of this Decision, if there are changes in the members of the Board of directors or the Supervisory board of the acquiring bank or in the financial activities performed by the acquiring bank, which, according to the Banking Law, require approval by the Governor of the National Bank.

18. The documentation stipulated in item 17 of this Decision shall be attached to the application for issuing license for acquisition of a savings house by a bank.

2. Required documentation attached to the application for status change – merger

19. The following documentation shall be attached to the application submitted to the National Bank for issuing a license for status change - merger:

19.1 Completed application for issuing a license for status change – merger (Form 1).

19.2 Decisions of the competent bodies of the banks and/or legal entities that are merging, for initiation of a merger procedure.

19.3 Merger agreement signed between the supervisory boards of the banks i.e. the management bodies of the legal entities that are merging, which should include the relevant data prescribed in the Law on Trade Companies.

19.4 Initial balance sheet of the new bank which shows the amount of its initial capital. The initial balance sheet shall be prepared with consolidation of the mutual claims and liabilities of the banks and/or legal entities which are merging and should be audited by an authorized auditor.

19.5 Proof that the necessary amount of funds for reaching the initial capital is deposited on the temporary account with a payment operations carrier, if there is a need for additional cash payment for reaching of the amount of initial capital.

19.6 The relevant documentation stipulated in items 2.3, 2.4, 2.5, 2.6, 3, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 5.8, 6 and 9 of this Decision.

3. Required documentation attached to the application for status change – division

20. The following documentation shall be attached to the application submitted to the National Bank for issuing a license for status change - division:

20.1 Completed application for issuing a license for status change – division (Form 1).

20.2 Decision of the competent bodies of the bank that is divided, for initiation of a division procedure.

20.3 Division plan adopted by the Supervisory board of the bank that is divided, which should include the relevant data prescribed in the Law on Trade Companies.

21. In the cases of separation with establishment and secession with establishment, in addition to the documentation stipulated in item 20 of this Decision, the following documentation shall be attached to the application for issuing a license for status change:

21.1 Initial balance sheet of the new banks which shows the amount of initial capital. The initial balance sheet shall be prepared after the division of the claims and liabilities of the bank which is divided and should be audited by an authorized auditor.

21.2 Proof that the necessary amount of funds for reaching the initial capital is deposited on the temporary account with a payment operations carrier if the required capital of the new banks has not been provided from the division of the bank.

21.3 The relevant documentation stipulated in items 2.3, 2.4, 2.5, 2.6, 3, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 5.8, 6 and 9 of this Decision.

22. In the cases of separation with takeover and secession with takeover, in addition to the documentation stipulated in item 20 of this Decision, the following documentation shall be attached to the application for issuing a license for status change:

22.1 New or amended Statute of the bank which is divided and of the existing banks which has to include the data stipulated in item 5.2 of this Decision, if necessary.

22.2 Strategic and operational plan for the feasibility of the division which has to include analysis of the need for division and projections of the financial statements for the bank which is divided and for the existing banks, according to item 2.5 indent 6 of this Decision.

If there are changes in the organization structure of the bank which is divided and of the existing banks, the new organization structure with data on the scope of activities and the responsibilities of the persons with special rights and responsibilities of any organization unit, the mutual relations and the relations with the supervisory and management bodies of the bank that is divided and of the existing banks, as well as the possible number of employees with their qualification structure, shall be submitted.

22.3 Balance sheets of the bank which is divided and of the existing banks which show the amount of own funds of the bank which is divided and of the existing banks. The balance sheets shall be prepared with the division and/or consolidation of the claims and liabilities of the bank which is divided and of the existing banks, and should be audited by an authorized auditor.

22.4 Data on the number and education of the employees taken from the bank which is divided, and data on the professional history of the those employees who will have the status of persons with special rights and responsibilities in the existing banks.

22.5 The requirements stipulated in item 6 of this Decision, if there are changes in the members of the Board of directors or the Supervisory board of the bank which is divided or in the existing banks or in the financial activities performed by the bank that is divided, i.e. the existing banks, which, according to the Banking Law, require approval by the Governor of the National Bank.

22.6 Data stipulated in items 2.6, 3 and 9 of this Decision on the identity of the shareholders with qualified holding in the existing banks, if after the division there are changes in the shareholder structure of the existing banks.

23. Notwithstanding items 21 and 22 of this Decision, in case of separation with establishment or takeover of a bank by two or several legal entities that are not banks, a proof that the bank which is divided has paid off the total amount of deposits or that has transferred all the deposits to another bank in the Republic of Macedonia, shall be attached to the application for issuing a license for status change.

4. Required documentation attached to the application for status change – transformation of a savings house into a bank

24. The following documentation shall be attached to the application submitted to the National Bank for issuing a license for status change – transformation of a savings house into a bank:

24.1 Completed application for issuing a license for status change – transformation of a savings house into a bank (Form 1).

24.2 Decision of the competent body of the savings house for its transformation into a bank.

24.3 Transformation plan, prepared and confirmed by the competent body of the savings house that is transformed, which should include:

- the form, name and head office of the bank;
- the intentions, objectives and conditions of the transformation;
- the method of transformation of the stakes into shares (for savings houses established as limited liability companies) i.e. of the amount of the difference in the value of the shares (for savings houses established as joint stock companies), the date from which the shares give right for a participation in the profit and the date from which the accounting operations of the savings house that is transformed shall be deemed as performed by the bank;
- cut-off date of the transformation i.e. the date of cease of the savings house that is transformed and the date of commencement of the preparation of bank's balance sheets.

24.4 Report on the operation of the savings house that is transformed prepared to the date when the transformation decision is adopted and an initial balance sheet of the new bank, audited by an audit company.

24.5 The relevant documentation stipulated in items 2.3, 2.4, 2.5, 2.6, 3, 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 5.8 and 6 of this Decision.

5. Required documentation attached to the application for status change – merger of savings houses in order to found a bank

25. The following documentation shall be attached to the application submitted to the National Bank for issuing a license for status change – merger of savings houses in order to found a bank:

25.1 Completed application for issuing a license for status change – merger of savings houses in order to found a bank (Form 1)

25.2 Decision of the competent bodies of the savings houses that are merging, for initiation of the merger procedure.

25.3 Merger agreement, signed between the competent bodies of the savings houses that are merging, which has to include the relevant data prescribed in the Law on Trade Companies.

25.4 Initial balance sheet of the new bank that shows the amount of its initial capital. The initial balance sheet shall be prepared with consolidation of the mutual claims and liabilities of the savings houses that are merged and it should be audited by an authorized auditor.

25.5 Proof that the necessary amount of funds for reaching the initial capital is deposited on the temporary account with a payment operations carrier, if there is a need for additional cash payment for reaching the amount of initial capital of the new bank.

25.6 The relevant documentation stipulated in items 2.3, 2.4, 2.5, 2.6, 3, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 5.8 and 6 of this Decision.

6. Issuing a license for a status change

26. During the decision making, it shall be assessed whether the new bank i.e. the new banks or the existing banks will be organized and capable to work in compliance with the regulations and with the prescribed supervisory standards and whether they are going to fulfill the standards for corporate governance and risk management. The guidelines provided in item 7 of this Decision shall be adequately applied during the assessment, and it shall be assessed whether the following criteria are met:

- whether all the preparations for appropriate implementation of the status change have been performed;
- whether the operational and strategic plan and the balance sheet show that the bank i.e. the banks will operate in safe and sound manner;
- whether the status change will not jeopardize the solvency, liquidity and profitability of the bank i.e. banks and whether the bank i.e. the banks have the capacity to comply with the prescribed supervisory standards;
- whether the potential risks from the status changes have been identified and whether they can be appropriately managed;
- whether the necessary payment or transfer of the total amount of deposits has been completed;
- whether the instances of possible conflict of interests have been identified and whether they can be appropriately controlled.

27. Based on the assessment stipulated in item 26 of this Decision, the Governor shall adopt a decision for issuing a license for status changes, without implementing the procedure for issuing temporary license, or shall reject the application, within the deadlines prescribed in the Banking Law.

28. In cases when, as a result of the status change, new legal entities that are not banks are established, and if according to the relevant regulations a license, approval or other type of authorization from a competent authority in the country is necessary for their establishment and operation, the new legal entities shall be obligated to initiate a special procedure for obtaining the necessary authorization.

V. PRECISE DEFINITION OF THE FORM OF SUBMISSION OF THE DOCUMENTATION AND GUIDELINE ON THE ACTIVITIES NECESSARY FOR IMPLEMENTATION OF THE DECISION

29. The applications for issuing the licenses stipulated in item 1 of this Decision shall be accompanied by data on the authorized contact person with the National Bank (name and surname, telephone number, fax number, e-mail address) and a proof of payment of the fee for processing of the applications.

30. The documentation submitted with the application for issuing the licenses stipulated in item 1 of this Decision shall be submitted in original or notarized copy, signed by the authorized person or relevant competent body, to be clear, without additional corrections and in Macedonian language. If the document that should be submitted is in another language, a translation in Macedonian, certified by authorized translator shall be submitted together with the original.

31. All the certificates, statements and questionnaires which are part of the documentation attached to the application for issuing the licenses stipulated in item 1 of this Decision have to be notarized and must not be older than six months before the day of submission of the application for issuing a license.

If the legislation of the country of origin of the foreign entity that intends to found a bank regulates the material regarding the documentation attached to the application for issuing a license stipulated in item 1 of this Decision in a different manner, the entity is obligated to submit a relevant document or legal opinion issued by a lawyer, which can confirm the difference in the regulations.

32. The National Bank shall process the application for issuing a license stipulated in item 1 of this Decision with full set of documentation. A full set of documentation shall be deemed the documentation prescribed in this Decision, the documentation additionally required by the Governor of the National Bank, as well as the relevant documents, data and information that should be obtained from competent domestic and foreign institutions in the country and abroad in order to decide upon the application.

While processing the application, the National Bank may also use the documentation it possesses about the relevant bank.

While processing the application, the National Bank may also use the available documentation about the respective bank.

33. After the submission of the full set of documentation necessary for issuing a license stipulated in item 1 of this Decision, the bank that is founded, the new bank i.e. banks, the bank which is acquired and the existing banks are obligated to publish an announcement in a daily newspaper, for at least three consecutive days, which has to include the following:

- name and head office of the bank that is founded, the new bank i.e. banks, the acquiring bank, the bank which is acquired and the existing banks;
- the amount of the initial capital;
- the number of entities that intend to found a bank i.e. the number of shareholders in the new bank i.e. banks, the bank which is acquired and the existing banks; and
- the financial activities that will be performed by the bank that is founded, the new bank i.e. banks, the bank which is acquired and the existing banks.

The bank that is founded, the new bank i.e. banks, the bank which is acquired and the existing banks are obligated to inform the National Bank about the published announcement.

34. The applicants for issuing licenses stipulated in items 2, 9, 19, 20, 24 and 25 of this Decision are obligated to submit the excerpt of the registration to the National Bank, immediately after the registration with the competent institution.

VI. FINAL PROVISIONS

35. This Decision shall enter into force on the eighth day of its publishing in the “Official Gazette of RM”.

36. The provisions of this Decision shall accordingly apply to the savings houses in the Republic of Macedonia.

37. On the day this Decision enters into force, the Decision on the necessary documentation for issuing licenses according to the provisions of the Banking Law, Law on Securities and the Law on Banks for Micro-financing (“Official Gazette of the Republic of Macedonia” no. 111/2000, 81/2002 and 66/2003) shall become void.

D.No. 02-15/VII -1/2007
18 July 2007
Skopje

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

FORM 1
Application for issuing a license for founding and operating a bank¹

1.	Proposed name of the bank		
2.	Proposed head office of the bank (street, number, city)		
3.	Proposed initial capital of the bank		
4.	Total number of entities who intend to found a bank		
5.	List of entities who intend to found a bank	Name and surname i.e. title of the entity that intends to found a bank	Planned participation in the total number of shares i.e. in the total number of voting shares
5.1	Domestic banks or other domestic financial institutions		
5.2	Other domestic legal entities		
5.3	Domestic natural persons		
5.4	Foreign banks or other foreign financial institutions		
5.5	Other foreign legal entities		
5.6	Foreign natural persons		
6.	Person authorized for contacts with NBRM		
6.1	Telephone and fax of the authorized person		
6.2	E-mail address of the authorized person		
6.3	Address and number of identity card i.e. passport number (for foreign citizens) of the authorized person		

Place and date

Signature of the applicant(s)

¹ This form shall be adequately completed in case of submission of an application for founding and operating a bank controlled by a foreign bank and/or foreign entity with a share in a foreign bank and in case of submission of an application for a license for status changes.

FORM 2

Questionnaire for the legal entities that intend to found a bank²

1. Data on the legal entity

1.1. Name of the legal entity

1.2. Head office

1.3. Tax number

1.4. Identification number (or relevant number in accordance with the regulations in the foreign country – for a foreign legal entity)

1.5. Telephone, e-mail and internet site (if the legal entity has one)

1.6. Core activity, in accordance with the national classification of activities or in accordance with the classification of activities applicable in the foreign country (for a foreign legal entity).

2. Please indicate the persons who are members of the management and supervisory bodies of the legal entity with short overview of their education and work experience (this question is completed only by the legal entities that intend to acquire qualified holding in the bank).

Name and surname	Supervisory or management body	Education	Work experience

3. Please indicate the persons/entities who own more than 10% of the shares or stakes in the legal entity, directly or indirectly (this question is completed only by the legal entities that intend to acquire qualified holding in the bank).

Name and surname/ title	Address/ head office	Core activity	Share in the capital or in the voting rights in percents

4. Do the entities from item 3 of this Questionnaire have their representatives in the supervisory or management bodies of the legal entity? If the answer is yes, please list the

² Completed by each legal entity that intends to found a bank, separately. The Form shall also be completed by the foreign bank or foreign legal entity with a participation in a foreign bank, which intends to control a bank in RM, as well as by the legal entities that intend to be shareholders in a new bank which is established by merger, division, transformation of a savings house into a bank or merger of savings houses in order to found a bank.

legal entities and their representatives in the supervisory or management bodies of the legal entity that intends to found a bank.

Name and head office	Name and surname of the representative	Supervisory or management body

5. Please list the legal entities in which the legal entity owns, directly or indirectly, more than 10% of the shares, i.e. stakes (this question is completed by the legal entities that intend to hold qualified holding in the bank).

Name and head office	Core activity	Share in the capital or in the voting rights of the legal entity in percents	Assessed (market) value of the share*

* If the assessed (market) value of the share is not available, the book value of the share shall be considered.

6. Does the legal entity have its representatives in the supervisory or management bodies of the legal entities from item 5 of this Questionnaire (this question is completed only by the legal entities that intend to hold qualified holding in the bank)? If the answer is yes, please list the legal entities and the representatives of the legal entity that intends to found a bank in their supervisory or management bodies.

Name and head office	Name and surname of the representative of the legal entity	Supervisory or management body

7. Does the legal entity have its representatives in the supervisory or management bodies or in any other way influences the management and the policy making and the financial and business decisions of any other legal entity in RM or abroad? Please list the legal entities, the bodies and the persons that represent the legal entity.

Name and head office of the legal entity	Supervisory or management body	Name and surname of the legal entity's representative	Other manner of exerting influence

8. Is the legal entity controlled by a person who has been convicted, with a legally effective court decision, to imprisonment for a committed crime? If it is, please provide all the details.

9. Has the legal entity been imposed a misdemeanor sanction, or a ban on performing a profession, activity or duty? If such a sanction i.e. ban has been imposed, please provide all the details.

9.1. Has, such a sanction i.e. ban been imposed to an entity that exercises control in the legal entity? If there is such sanction i.e. ban, please provide all the details.

10. Has a bankruptcy or liquidation procedure been initiated against the property of the legal entity, or of the entity that controls the legal entity? Provide all the details related to the procedure.

11. Is a person/entity connected to the legal entity a shareholder or a member of the supervisory or management body of another bank or financial institution? If the answer is yes, please provide details about:

Name and surname/ title and head office of the connected person/entity	Name and head office of the bank/financial institution	Share in percent	Supervisory or management body	Other important data

12. Has a bankruptcy or liquidation procedure been initiated against the legal entities in which the legal entity exercised control or had its representatives in their supervisory or management bodies or in any way influenced the management and the policy making and the financial and business decisions? If the answer is yes, please provide details.

13. Has the competent supervisory authority undertaken any measures against a bank or other financial institution in which the legal entity exercised control or had its representative in the supervisory or management bodies or has in any way influenced the management and the policy making and the financial and business decisions? If the answer is yes, list the measures and provide the details about their implementation or non-implementation.

13.1. Has the competent supervisory authority undertaken any measures against a bank or other financial institution controlled by the person which controls the legal entity or had its representative in the supervisory or management bodies or has in any way influenced the management and the policy making and the financial and business decisions? If the answer is yes, list the measures and provide the details about their implementation or non-implementation.

14. Is the legal entity or the person that controls the legal entity connected to the other persons/entities that intend to found a bank together with the legal entity? Describe in which manner.

15. Has any competent authority for supervision of banks and other financial institutions ever assessed the reputation and capability of the legal entity or of the person that controls the legal entity for acquiring a participation in the capital of those institutions?

Yes _____

No _____

15.1. If the answer is yes, provide all the details in separate tables for the legal entity and for the person/entity that controls the legal entity.

Competent supervisory authority	Type of requested approval/license	Reasons due to which the approval has not been obtained (if the competent authority has not issued the requested approval)

16. Has the competent authority for supervision of banks and other financial institutions ever revoked the legal entity's approval for shareholder or for participation in the capital in another bank or other financial institution or approval to be a member or to delegate a member in the supervisory or management body in that bank or financial institution? If the answer is yes, provide all the details.

16.1. Has the competent authority for supervision of banks and other financial institutions ever revoked the approval of the person/entity that controls the legal entity for shareholder or for participation in the capital in another bank or other financial institution or the approval to be a member or to delegate a member in the supervisory or management body in that bank or financial institution? If the answer is yes, provide all the details.

17. Do you think that there are other facts or circumstances that could be important for the assessment of the capability of the legal entity to be a shareholder in a bank and to provide sound and safe operation of the bank?

18. Please provide a short description of where you see the bank within five years from its foundation. (The competent body of the legal entities that intend to hold a participation in the bank which is founded has to answer this question).

I/we, the undersigned _____ (names and surnames of all persons, members of the supervisory or management body of the legal entity that intends to found a bank) as a member/members of _____ (the supervisory or management body of the legal entity that intends to found a bank) of _____ (name of the legal entity)

a) Declare, under full moral, material and criminal accountability, that the information provided in this Questionnaire, as well as the complete documentation submitted by the legal entity with the application for issuing a license for founding and operating a bank/application for issuing a license for status changes, are accurate and do not contain forged data and documents.

b) I/we am/are aware of the criteria prescribed in the Banking Law which _____ (name of the legal entity) has to be fulfilled in order to become a shareholder with qualified holding in a bank³.

c) Declare that the legal entity will ensure compliance with the supervisory standards and the measures undertaken by the National Bank, submit all data and information requested by the National Bank for performing efficient supervision, and thereby provide for sound and safe operation of the bank⁴.

³ Only for legal entities that intend to be shareholders with qualified holding.

⁴ Only for legal entities that intend to be shareholders with qualified holding.

Place and date

Signatures of all members of the
competent body

FORM 3**Questionnaire for the natural persons who intend to found a bank⁵****1. Personal data**

1.1. Name and surname

1.2. Home address

1.3. Address in RM (in case of foreign person with residence in RM)

1.4. Date and place of birth

1.5. Citizenship

1.6. Number of identity card or passport number (for foreign natural persons)

1.7. NINC (National Identification Number of the Citizen)

1.8. Telephone and e-mail address

2. Education

Educational institution	Degree	Period of education

3. List all the jobs and/or positions you had until the moment of completing of the Questionnaire, starting from the most recent job.

Period from/to (month/year)	Name, head office and core activity of the employer	Job/position

4. Have you ever been convicted with a penalty of imprisonment for a crime you have committed, with a legally effective court decision? If the answer is yes, provide all the details.

5. Have you ever been imposed a misdemeanor sanction, or a ban on performing a profession, activity or duty? If you have been imposed such sanction i.e. ban, provide all the details.

⁵ Completed by each natural person who intends to found a bank, separately. The Form shall also be completed by the foreign natural person with a share in a foreign bank, that intends to control a bank in RM, as well as by the natural persons that intend to be shareholders in a new bank which is established by merger, division, transformation of a savings house into a bank or merger of savings houses in order to found a bank.

6. Has a bankruptcy procedure been initiated against your property? If the answer is yes, provide all the circumstances related to this procedure.

7. Are you, or a person/entity connected to you, a shareholder, owner, co-owner or partner in another legal entity?

Yes _____

No _____

If the answer is yes, complete the following two tables, where the first one is completed for the natural person and the second one for the persons/entities connected to the natural person.

Name and head office of the legal entity in which the natural person holds capital and/or of the voting shares	Percent of the capital and/or of the voting shares

Name and surname i.e. title of the connected person/entity	Name and head office of the legal entity in which the connected person/entity holds capital and/or of the voting shares	Percent of the capital and/or of the voting shares

Are you, or a person connected to you, a member of a supervisory or management body in the above-stated entities? If the answer is yes, complete the following two tables, where the first one is completed for the natural person and the second one for the persons connected to the natural person.

Name and head office of the legal entity	Supervisory or management body

Name and surname i.e. title of the connected person	Name and head office of the legal entity	Supervisory or management body

8. Are you a member of a supervisory or management body or do you in any other way exert influence on the management and the policy making and the financial and business decisions of any other legal entity, except for the legal entities from item 7 of this Questionnaire? Please list any such legal entities, the supervisory or management body or the manner in which you exert influence.

Name and head office of the legal entity	Supervisory or management body	Other influence

9. Was there any bankruptcy or liquidation procedure initiated against the legal entities in which you exerted control or were a member of a supervisory or management body or in any way influenced the management and the policy making and the financial and business decisions?

Yes _____

No _____

If the answer is yes, please provide details about your activities in that legal entity.

Is there a legally effective court verdict rendered against you whereby you are held responsible for the opened bankruptcy or liquidation procedure? If the answer is yes, please provide all the details regarding the court verdict.

10. Has the competent supervisory authority undertaken any measures against a bank or other financial institution where you have exerted control or have been a member of a supervisory or management body or have in any way influenced the management and the policy making and the financial and business decisions?

Yes _____

No _____

If the answer is yes, please list the measures and all the details related with their implementation or non-implementation.

11. Are you, or the person/entity connected to you, connected to other persons/entities, in accordance with the Banking Law considered as persons connected to the bank? If the answer is yes, complete the following two tables, where the first one is completed for the natural person and the second one for the persons/entities connected to the natural person.

Name and surname i.e. title and head office of the person/entity connected to the bank	Manner of connection

Name and surname i.e. title and head office of the person/entity connected to the natural person	Name and surname i.e. title and head office of the person/entity connected to the bank	Manner of connection between the persons/entities from column 1 and 2

12. Has any competent authority for supervision of banks and other financial institutions ever assessed your reputation and capability for obtaining a participation in the capital or for becoming a member of a supervisory or management body of those institutions?

Yes _____

No _____

If the answer is yes, provide all the details.

Competent supervisory authority	Type of approval/license applied for	Reasons due to which the approval has not been obtained (if the competent body has not issued the requested approval)

13. Has the competent authority for supervision of banks and other financial institutions ever revoked your approval for a shareholder or for holding a participation in the capital of a bank or another financial institution or an approval for a member of a supervisory or management body? If the answer is yes, please provide all the details.
14. Have you ever been removed or have you ever been asked to resign from holding a certain position in another legal entity? If the answer is yes, please provide all the details.
15. Do you think that there are other facts or circumstances that could be important for the assessment of your capability to be a shareholder of a bank and to provide stable and safe operation of the bank?
16. Please provide a short description of where you see the bank within five years from its establishment. (The natural persons who intend to acquire a participation in the bank which is established are required to answer this question).

I, the undersigned _____ (name of the natural person)

a) Declare, under full moral, material and criminal accountability, that the information provided in this Questionnaire, as well as the complete documentation I submit with the application for issuing a license for founding and operating a bank/application for issuing a license for status changes, are accurate and do not contain forged data and documents.

b) I am aware of the criteria prescribed in the Banking Law which I have to fulfill in order to become a shareholder with qualified holding in a bank⁶.

c) Declare, under full moral, material and criminal accountability that I will ensure compliance with the supervisory standards, implementation of the measures undertaken by the National Bank and submit all data and information requested by the National Bank for performing efficient supervision, and thereby provide for safe and sound operation of the bank⁷.

Place and date

Signature of the natural person

⁶ Only for natural persons that intend to be shareholders with qualified holding.

⁷ Only for natural persons that intend to be shareholders with qualified holding.