

**LAW ON BANKS AND SAVINGS INSTITUTIONS  
(BANKS AND SAVINGS HOUSES LAW)**

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**GENERAL PROVISIONS**

Article 1

This Law regulates the founding and operation of banks and savings houses and the terms and procedures of pre-rehabilitation, rehabilitation, bankruptcy and liquidation of banks and savings houses.

Article 2

Banks and savings houses are legal entities that operate independently for the purpose of realizing profits, on the principles of liquidity, security and profitability.

Banks and savings houses are the possessors of rights, duties and liabilities concerning legal transactions of assets and properties placed at their disposal.

Banks and savings houses independently determine the methods and forms of their internal organization, association and operation according to the market conditions and the realization of profits in compliance with this and other laws.

**I. BANKS**

**1. Founding of Banks**

Article 3

A bank may be founded for the purpose of deposit, loan and other bank operations in compliance with the provisions of this Law.

A bank may be engaged in banking operations abroad under the terms set by law.

Article 4

A bank is founded as a stock company under the terms set by this Law.

## Article 5

A bank may be founded by domestic and foreign legal entities and physical persons (hereinafter: bank founders).

A foreign bank may found a branch office that will have the status of a legal entity or a representative office that will not be granted the status of a legal entity.

The representative office stipulated under paragraph 2 of this article can not engage in banking activities.

## Article 6

A bank founder can not be an individual:

- against whom criminal charges have been brought;
- against whom bankruptcy proceedings have been initiated;
- convicted of criminal offenses against property; and
- convicted of serious economic crimes in the field of finances.

## Article 7

A bank is founded by adopting a decision of establishment and by investing funds in the founding capital of the bank (hereinafter: founding capital).

The founding capital of a bank consists of the capital investments of the founders deposited in pecuniary and non-pecuniary form.

Additional and subsequent capital investments are also considered as founding capital.

The decision for founding a bank or foreign branch bank defines the total amount of funds required for the founding and operation of a bank or foreign branch bank, which can not be lower than the Denar counter value of DM 3.000.000 for a bank or DM 1.000.000 for a foreign bank branch at the exchange rate of the National Bank of the Republic of Macedonia (hereinafter: National Bank) on the date of payment.

## Article 8

When founding a bank, the share of each founder may not exceed 20% of the founding capital of the bank in money assets with the right to bank management.

With the exception of paragraph 1 of this article, when a bank is founded by two or more domestic or foreign banks, the bank founders determine their share in the founding capital.

When deciding on the issuance of a license for the founding of a bank, as stipulated under paragraph 2 of this article, the National Bank attends to optimal shares in the founding capital.

#### Article 9

The Board of Bank Founders is constituted by the bank founders.

The Board of Bank Founders prepares: a proposal of the decision for the founding of the bank, a proposal of the bank statute, a proposal for the election of the management board members, a proposal for the appointment of an executive body of the bank, designates the persons and bodies that will operate the bank until its founding, drafts business policy acts and summons the founding assembly of the bank.

The summoning of the founding assembly of the bank and the conditions for participation in the bank founding are published under the terms and conditions defined in the proposal of the decision for the founding of the bank.

#### Article 10

The bank founding decision is adopted at the founders assembly, having obtained the founding and operation license from the National Bank, within a period of 30 days.

The founders assembly adopts the statute of the bank, elects the managing and supervisory boards, appoints the executive body and passes the business policy regulations of the bank.

The regulations stipulated under paragraphs 1 and 2 of this article are passed at the founders assembly by a two-third majority vote of the founders.

The bank founders participate in the proceedings of the founders assembly through their representatives.

#### Article 11

The decision on the founding of the bank determines:

1. the name and headquarters of the bank;
2. the type of banking operations performed by the bank;
3. the total founding capital in pecuniary and non-pecuniary form and the share of each founder in that capital;
4. the names and headquarters of the bank founders;
5. the term in which the founders are obliged to deposit funds in the founding capital and the term in which the founders are

obliged to transfer the title of the non-pecuniary assets to the bank;

6. the rights, duties and liabilities of the founders;
7. the conditions for acquisition and termination of the rights of the founders;
8. the standards for distribution of profits, bearing of risks, coverage of losses and the measures and responsibilities of the bodies that insure the liquidity of the bank;
9. the guarantee on the savings deposits;
10. the procedures for the resolution of statutory changes in the bank;
11. the procedures of settling disputes among the bank founders;
12. the conditions for termination of the bank should no economic interests exist for resuming the operation of the bank; and
13. the procedures and mutual relations among the bank founders in cases of statutory changes in the bank.

#### Article 12

The statute of the bank determines:

1. the name and headquarters of the bank;
2. the organization and operation of the bank;
3. the type of activities to be performed by the bank;
4. the total founding capital, the type and amount of deposits of each founder, the terms and modes of payment and the registration of deposits;
5. the conditions and modes of increasing the founding capital and bank reserves, and the procedure for the transfer of securities acquired by the founders for their permanent deposits in the bank;
6. the distribution and allocation of profits, the bearing of risks and covering losses of the bank;
7. the management of the bank, the formation of the assembly, managing board and supervisory board, their composition and authority;

8. the responsibilities and authorizations of the executive body of the bank and of other empowered employees and the procedures of their appointment and discharge;
9. the rules of internal supervision and audit of the bank;
10. the operation and the termination of the bank;
11. the procedure of passing, amending and annexing the statute and other by-laws of the bank; and
12. other organizational issues related to the operation of the bank.

### Article 13

A bank acquires the status of a legal entity after it has been entered in the court register.

The application for entry in the court register is submitted within 15 days from the date the bank founding decision has been passed.

The following documents are enclosed with the application for entry in the court register:

1. the bank founding decision;
2. the statute of the bank;
3. the license issued by the National Bank;
4. proof of payment effected to the suspense account of the institution in charge of payment operations in favor of the founding capital, i.e., proof of foreign currency payment effected by the foreign legal entity or physical person to the special account of the National Bank;
5. proof that the bank founders have transferred the title of the non-pecuniary assets to the founding capital of the bank;
6. other documents in compliance with the regulations for entry in the court register.

Sections of the bank are also entered in the court register in compliance with the regulations for entry in the court register.

## Article 14

Following the entry in the court register, the bank is obliged to submit a copy of the verified registry application to the National Bank.

### 1.2 Founding and Operation License and Statutory Change License

## Article 15

Applications for the issuance of licenses for founding and operation, for statutory changes in the bank and for founding and operation of a foreign branch bank, are submitted to the National Bank.

The statutory changes stipulated under paragraph 1 of this article imply to bank mergers, acquisitions and break-ups.

The applications under paragraph 1 of this article include:

1. drafts of the founding decision and bank statute;
2. a draft of the decision on statutory changes;
3. an outline of the activities to be undertaken by the bank in the next two years;
4. figures on the amount of the founding capital;
5. data on the solvency of the founders and their capital and management relations, data on the legal entities, i.e., family relations of the physical persons;
6. a statement that the founders shall effect payment to the suspense account of the institution in charge of payment operations in favor of the founding capital, i.e., to the special account of the National Bank;
7. a statement that the bank founders shall transfer the title of the non-pecuniary assets to the founding capital of the bank;
8. a draft of the decision on the first issuance of bank shares;
9. information on the individuals who will manage the bank and their professional bank management qualifications;
10. documents verifying that the personnel, technical and organizational set up of the bank are adept to conduct the activities stipulated in the bank founding act; and
11. other documents designated by the National Bank.

The application of the foreign bank for the founding and operation license of a branch bank in the Republic of Macedonia includes:

1. data on the legal set up and headquarters of the parent bank and its statute or internal regulations;
2. data on the banking operations performed by the foreign bank and the locations where the operations are effected;
3. the three preceding annual reports of the parent bank and the last auditing report prepared by an authorized auditor;
4. an outline of the activities that the branch will be engaged in;
5. the amount of capital at the disposal of the branch bank;
6. information on the individuals who will manage the branch bank and their professional bank management qualifications; and
7. a regulation on the mutual relations between the parent bank and the branch bank.

The Governor of the National Bank brings a decision within 60 days pertaining to the application under paragraph 1 of this article.

## Article 16

The Governor of the National Bank determines whether the conditions for founding and operation of a bank, i.e., a foreign branch bank and for statutory changes in a bank have been met, and decides on the issuing of a limited or unlimited operation license.

The license for limited operations permits certain banking activities under the terms and standards assigned by the National Bank.

In cases when conditions have not been met regarding the founding, operation and statutory changes, the Governor of the National Bank shall bring a decision rejecting the license application.

Complaints may be filed with the council of the National Bank against the decision stipulated under paragraph 3 of this article.

### **1.3 License Revoking**

#### Article 17

The Governor of the National Bank shall revoke the operation license of a bank by way of decision, should the following be determined:

- that the operation license has been obtained on the basis of false data;
- that the bank failed to submit an application for entry in the court register within the specified period;
- that the bank failed to commence operation within six months following the issuance of the license;
- that the bank does not perform activities according to the issued license and the provisions of this Law;
- that the pecuniary share of the founding capital is less than the share prescribed by this Law;
- that the bank does not fulfill the requirements for further operation; and
- that the bank has discontinued its operation unjustly.

Complaints may be filed with the council of the National Bank against the decision stipulated under paragraph 1 of this article.

The license revoking decision initiates the liquidation procedure of the bank.

### **1.4 Applying for Approval and Reporting to the National Bank**

#### Article 18

The Governor of the National Bank grants approval of:

1. amendments in the bank statute;
2. replacements in the executive body of the bank;
3. the founding of a bank and the opening of a branch bank or representative office abroad;
4. the opening of an office of a foreign bank;
5. the acquisition of over 25% of the shares and the management

rights of each founder, i.e., each shareholder; and

6. changes in the name and headquarters of the bank.

The Governor of the National Bank is obliged to decide on the application for approval, stipulated under paragraph 1 of this article, within 30 days from the submission date of the application.

Should the Governor of the National Bank fail to bring a decision within the period stipulated under paragraph 2 of this article, it shall be considered that the bank has been granted approval.

Should the Governor of the National Bank reject the application for approval stipulated under paragraph 1 of this article, the bank may file a complaint with the council of the National Bank.

## Article 19

The bank is obliged to notify the National Bank of:

1. increases in the founding capital of the bank, i.e., of new issues of shares;
2. other equity investments of the bank in the country;
3. approval of large and maximum loans;
4. insolvency occurrences in the bank;
5. daily statements of the foreign currency status;
6. the acquisition of over 20% of the shares and the management rights of each founder i.e., each shareholder in the bank;
7. the opening of a branch or a representative office in the country; and
8. structural changes within the bank.

The bank is obliged to notify the National Bank of instances stipulated under paragraph 1 of this article within 5 days from their occurrence.

## **2. Operation of the Bank**

### **2.1 Guarantee Capital and Special Bank Reserves**

## Article 20

The bank is obliged to dispose of guarantee capital and conform its operation to the provisions of this act and to the standards prescribed by the National Bank in order to protect the obligations towards its creditors.

## Article 21

The guarantee capital of the bank consists of:

- funds deposited in the founding capital;
- reserves; and
- other types of founding capital and additional sources which unrestrictedly cover business risks and losses of the bank.

The different types of guarantee capital and their proportion within the guarantee capital are specified by the National Bank.

## Article 22

Bank reserves are accumulated in order to cover the risks of operation.

Bank reserves are accumulated from the portion of the profits which the bank earns through its operation, based on the decision adopted by the bank's assembly.

Bank reserves are funds belonging to the bank and are used for writing off unrecovered claims, covering operation losses and other risks.

## Article 23

Banks are obliged to set up special reserves in order to cover potential losses resulting from unsafe investments and respective off-balance items with a certain degree of collectibility, as well as the open foreign exchange position of the bank.

The National Bank designates the amount and the formation process of the special reserve stipulated under paragraph 1 of this article, depending on the degree of collectibility of unsafe investments and off-balance items and on the open foreign exchange position.

## **2.2 Investments of the Bank**

### Article 24

The bank is obliged to adjust its operation so that the total amount of assets and off-balance asset-like items are classified and weighed according to their level of risk and are not to exceed 16 times the amount of the bank's guarantee capital.

The bank is obliged to enforce the provisions of this Law pertaining to large and maximum loans given to a single loan applicant, the provisions regarding the total

amount of all loans, other claims and guarantees per loan applicant, and the provisions regarding the amounts of large and maximum loans.

Under this Law, a large loan refers to a single loan or other single claims or guarantees granted to a single loan applicant, ranging from 10% to 15% of the bank's guarantee capital.

Under this Law, the maximum loan granted to a single loan applicant is the loan stipulated under paragraph 3 of this article, which may be up to 20% of the bank's guarantee capital.

The total amount of all loans, claims and guarantees granted to a single loan applicant may not exceed 30% of the bank's guarantee capital.

The total amount of all large and maximum loans may not exceed the guarantee capital of the bank.

The conditions for the enforcement of the provisions of this article are prescribed by the National Bank.

#### Article 25

The National Bank is obliged to provide information on large and maximum loans granted to loan applicants at the request of a particular bank. The provided information is considered as confidential.

#### Article 26

The property of the bank in land, buildings, equipment and the capital investments into other banks and non-banking organizations may not exceed the bank's guarantee capital.

The land property, buildings and equity holdings in non-banking organizations acquired by the bank on the basis of unrecovered claims do not comprise the guarantee capital the first three years upon their acquisition.

#### Article 27

The bank may approve a loan and guarantee to a founder, i.e., shareholder within a 10% range of the bank's guarantee capital based on the decision of the loan approval body and a prior opinion from the supervisory board of the bank.

The bank may approve a loan and guarantee to executive officers or other empowered bank employees, members of the managing and supervisory board and other bodies, that is not to exceed 3% of the bank's guarantee capital following the procedure stipulated under paragraph 1 of this article.

The total amount of the loans and guarantees stipulated under paragraphs 1 and 2 of this article may not exceed the bank's guarantee capital.

The interest rates and the loan repayment procedure are specified in the loan approval decision stipulated under paragraphs 1 and 2 of this article.

### **2.3 Bank Solvency and Liquidity and Open Foreign Exchange Position**

#### Article 28

The bank is obliged to maintain its solvency and liquidity.

#### Article 29

Solvency is the ability of the bank to fulfill its commitments promptly and in long-term in addition to retaining its efficiency in the regular operations.

#### Article 30

The National Bank assigns the obligations regarding the solvency maintenance and undertakes measures against insolvent banks.

#### Article 31

Liquidity is the ability of the bank to convert its assets into cash quickly and without losses, allowing prompt and short term fulfillment of the bank's commitments.

#### Article 32

The bank becomes illiquid should it fail to settle outstanding commitments domestically and abroad or if other legal entities or the Republic of Macedonia settle the commitments on a guarantee basis.

#### Article 33

An illiquid bank is forbidden to effect payment from the transfer account, to approve loans, to open letters of credit and to grant guarantees.

The shareholders of the bank and their clients can not dispose of their funds in the illiquid bank.

With the exception of paragraphs 1 and 2 of this article, an illiquid bank may effect payment against savings deposits and civilian's open accounts within the level of the guarantee and effect payment for which a guarantee has been fulfilled.

#### Article 34

The National Bank prescribes the obligations pertaining to the maintenance of the liquidity of the bank and undertakes measures against an illiquid bank.

#### Article 35

An open foreign exchange position represents the balance between the assets and liabilities made out to foreign payment funds.

The National Bank determines the computation procedure for open foreign exchange positions and the relation between the open foreign exchange position and the guarantee capital.

### **2.4 Bank Activities**

#### Article 36

The bank may operate in its name and on its behalf, in its name and on behalf of others and in the name and on behalf of others.

#### Article 37

The bank may perform the following activities:

- 1) accept all kinds of money deposits from legal entities and physical persons;
- 2) grant and take loans;
- 3) foreign exchange and foreign currency operations;
- 4) purchase of bills of exchange and checks;
- 5) issuance of securities;
- 6) issuance of credit cards;
- 7) safekeeping and managing securities and precious metal objects and other valuables;
- 8) purchase and sale of securities;

- 9) issuance of all kinds of guarantees;
- 10) domestic payment operations;
- 11) payment operations abroad;
- 12) credit and guarantee operations abroad; and
- 13) other banking activities.

The bank may perform the activities stipulated under paragraph 1 items 3, 11 and 12 with the authorization of the National Bank.

The National Bank prescribes the terms of granting and dispossessing the authorization stipulated under paragraph 2 of this article.

#### Article 38

In addition to the activities listed under article 37 of this Law, the bank may also engage in the following activities:

- 1) insurance of deposits;
- 2) collection and repurchasing of debts;
- 3) intermediary in securities operations;
- 4) purchase and collection of claims;
- 5) economic and financial consulting;
- 6) intermediary in leasing capital assets;
- 7) services in collection of invoices, maintenance of records, financing short-term debts until payment; and
- 8) providing other financial services (depositories, leasing safes, consultations, etc.)

#### Article 39

The bank may perform the activities stipulated under article 38 of this Law having previously obtained a license from the National Bank.

#### Article 40

The business policy regulations of the bank define the conditions and modes of performing the activities stipulated under articles 37 and 38 of this Law.

#### Article 41

The bank issues a special document, i.e., a passbook for Denar deposits placed by physical persons (hereinafter: savings deposits).

Legal entities and charity organizations can not possess pass-books.

#### Article 42

The business policy regulations of the bank define the terms and procedures of acceptance and withdrawal of savings deposits in domestic and foreign currency.

#### Article 43

The bank is obliged to publicly display on the teller's premises the current interest rates, the general terms for the handling of savings deposits, and the guarantee type and amount of savings deposits.

#### Article 44

The bank that accepts savings deposits is obliged to insure them with an authorized insurance institution or to provide another type of guarantee.

#### Article 45

The bank may maintain transfer, current and other types of accounts and effect payment operations in favor of the account holders in compliance with this Law and other regulations.

When collecting payments from individuals, the enterprises, other legal entities and government bodies are obliged to accept checks issued from the current account of the individuals.

### **3. Bank Management and Bank Bodies**

#### Article 46

The bodies of the bank consist of: the assembly, the managing board, the supervisory board, the executive body and other bodies stipulated in the statute.

#### Article 47

The founders of the bank, i.e., their representatives constitute the bank assembly.

The founders, i.e., shareholders of the bank are entitled the right to vote depending on the amount of funds invested in the founding capital in compliance with the bank founding decision.

#### Article 48

The bank assembly performs the following duties:

- 1) adopts the statute and the modifications and amendments of the bank statute;
- 2) determines the business policy of the bank and the development plan;
- 3) reviews and adopts the report on the operation of the bank;
- 4) adopts the annual statement of the bank;
- 5) decides on the utilization and distribution of profits and the coverage of losses;
- 6) decides on changes in the founding capital;
- 7) decides on statutory changes and the termination of the bank;
- 8) appoints and discharges the executive body and the members of the managing and supervisory board; and
- 9) decides on other issues of relevance to the operation of the bank designated in the bank statute.

#### Article 49

The bank assembly passes decisions according to the procedures and modes defined in the bank statute.

#### Article 50

The managing board performs the following duties:

- 1) adopts plans, operative programs and general bank regulations, with the exception of the regulations adopted by the bank assembly;
- 2) drafts proposals of regulations that are adopted by the bank assembly and administers the regulations;

- 3) reviews and adopts reports on the operation of the bank in the course of the year;
- 4) submits nominations for candidates of the executive body to the bank assembly;
- 5) submits an operation report to the supervisory board;
- 6) summons sessions of the bank assembly and designates the agenda of the assembly;
- 7) decides on the issuance and purchase of long-term securities;
- 8) decides on capital investments in banks and non-banking organizations; and
- 9) performs other duties stipulated in the bank statute and functions that are not under the authority of the bank assembly or supervisory board.

#### Article 51

The supervisory board of the bank monitors and controls the operation of the bank, of the managing board, executive organ and the remaining bank bodies and submits reports and proposals to the assembly accordingly.

#### Article 52

Members of the executive body of the bank, the bank employees and the representatives of the net debtors can not become members of the managing or supervisory boards.

When adopting the annual statement, the bank assembly determines the net debtors by estimating the average claims and obligations towards the bank for the period in which the annual statement is adopted.

#### Article 53

The executive body of the bank is the director or the president.

The requirements to be fulfilled by candidates for the executive body of the bank are stipulated in the bank statute.

During the procedure of appointment of the executive body of the bank, the managing board of the bank provides approval from the National Bank regarding the professional qualifications of candidates for the executive body of the bank.

#### Article 54

The executive body of the bank:

- 1) manages the operation of the bank;
- 2) represents and acts on behalf of the bank;
- 3) enforces the decisions of the assembly, the managing board and the supervisory board of the bank, i.e., attends to their enforcement;
- 4) initiates and proposes improvements in the operation of the bank; and
- 5) appoints and discharges bank employees who have been granted special authorizations and responsibilities.

#### Article 55

The executive body of the bank bears the responsibility for the legal operation of the bank.

The executive body of the bank answers for its work before the bank assembly and the managing board.

#### Article 56

In compliance with the statute, the bank enters into an agreement on the conditions under which the executive body and other employees with special authorizations and their immediate family members, are prevented from founding banks and savings houses.

Should the individuals stipulated under paragraph 1 of this article fail to observe the conditions defined in the bank statute, the bank is entitled to demand retribution for the inflicted damages and file a suit for the exclusion of that bank from the court register.

Under this Law, immediate family members shall be considered spouses, children, parents, brothers and sisters.

#### Article 57

Should the executive body and the employees with special authorizations determine that the decision of the bank bodies is in defiance of the law or the regulations based on the law, or that it may threaten the liquidity of the bank, they are obliged to notify the bank bodies in writing.

## Article 58

The bank statute specifies the number, structure, authorities, rights, tasks and responsibilities of the bank bodies.

## 4. Periodic and Annual Statements and Revision of the Accounting Records of the Bank

## Article 59

The bank is obliged to prepare periodic and annual statements in compliance with this Law.

The branch bank is obliged to submit a report on the operation of the parent bank.

The annual statement of the bank is examined and evaluated by an authorized auditor.

## Article 60

Should the authorized auditor determine that the bank is incapable of fulfilling its commitments or that the bank has defied the current regulations, he is obliged to notify the Minister of Finance and the Governor of the National bank in writing and without delay.

The authorized auditor shall notify the Minister of Finance and the Governor of the National Bank should the bank fail to eliminate the irregularities determined in the audit or should the bank fail to provide the requested information.

## Article 61

The authorized auditor verifies the annual statement and its compliance with the law, and examines and evaluates:

- 1) the current status of the balance sheet items;
- 2) the procedure applied in writing off and amending the value of the balance sheet items, the establishment of reserves and guarantee capital in compliance with the bank regulations; and
- 3) the enforcement of laws and regulations adopted on the basis of laws.

## Article 62

The authorized auditor drafts an auditing report having completed the examination and submits it to the supervisory and executive board of the bank and to the National Bank

within five months from the expiration of the calendar year for which the report has been drafted.

#### Article 63

The bank is obliged to publish the annual statement.

#### Article 64

Having previously obtained an opinion from the Governor of the National Bank, the Minister of Finance prescribes the forms and types of periodic accounting statements and bank reports.

### **5. Internal Bank Supervision and Auditing**

#### Article 65

The bank is obliged to set up an office for internal supervision and audit, which is to answer directly to the executive board of the bank.

The office stipulated under paragraph 1 of this article is engaged in permanent and complete supervision of the legitimacy, correctness and accuracy of the bank operation.

### **6. Supervision of the Legitimacy of the Bank Operation**

#### Article 66

The National Bank supervises the legitimacy of the bank operation within the framework of its authorizations.

#### Article 67

When supervising the banks, 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) other surveys on the operation of the bank.

## Article 68

Should it be determined during the supervision stipulated under article 66, that the bank has failed to implement the regulations, the National Bank shall undertake the following measures:

- 1) place a complete or partial ban on the activities performed by employees with special authorizations;
- 2) appoint an individual who may request the information stipulated under article 67 of this Law; and
- 3) withhold the distribution or payment of the bank profits.

## Article 69

Should the National Bank determine that the bank is engaged in banking activities, which have not been licensed by the National Bank, it shall be demanded that those banking activities be omitted from the registry of the authorized court.

## Article 70

Should irregularities in the operation of the bank be determined, the bank itself shall bear the incurred costs of supervision.

## **7. Business Secret**

### Article 71

The executive body, employees with special authorizations, bank employees and other individuals with access to bank operations are prohibited to reveal data and information determined by law and the bank statute as a business secret.

The information which the bank is obligated to submit to the National Bank and other institutions in compliance with the law, and which represents a business secret of the bank shall be considered as confidential.

### Article 72

Data on savings deposits and all individual accounts as well as data on the operations of individuals through their transfer and current account, are considered as a business secret of the bank.

Data on savings deposits and all individual accounts as well as data on the operations of individuals through their current account may be disclosed only upon written request

by the court, should criminal charges be brought against the holders of the savings deposits, deposits or current accounts.

Data on the operation of individuals through their transfer accounts may be disclosed upon written request by the court or by the Ministry of Finance.

## **8. Bank Consortium**

### Article 73

Two or more banks may constitute a bank consortium for the purpose of obtaining funds and the spreading of risks concerning major investment projects and business activities.

Banks may constitute a bank consortium together with foreign banks and with other financial organizations.

The bank consortium is constituted through an agreement.

## **II. SAVINGS HOUSES**

### Article 74

According to this Law, savings houses are:

- 1) post-office savings houses; and
- 2) savings houses.

### Article 75

Savings houses are financial organizations with the status of a legal entity.

### Article 76

Savings houses acquire the status of a legal entity having been entered in the court register.

### Article 77

The National Bank sets the level and types of guarantee capital and the level and mode of constituting specific types of guarantee capital of the savings houses.

## Article 78

Savings houses perform their scope of work within the framework and practice prescribed by the National Bank.

## Article 79

The provisions of this Law pertaining to banks shall apply equally to savings houses, unless otherwise determined by this Law.

### 1. Post-Office Savings Houses

## Article 80

The post-office savings house is a financial and savings organization in the Republic of Macedonia.

The post-office savings house is founded on the basis of a decision issued by the PTT and a founding and operating license issued by the National Bank.

## Article 81

The post-office savings house has the status of a legal entity and acquires the rights and responsibilities based on the provisions of this Law, on the founding decision and on the statute of the post-office savings house.

## Article 82

The decision for founding a post-office savings house defines the total amount of funds to be deposited by the founder in the founding capital of the post-office savings house, whose minimum is set at the Denar counter value of DM 500.000 at the exchange rate of the National Bank of the Republic of Macedonia at the date of payment.

## Article 83

The post-office savings house performs the following operations:

- 1) holds Denar savings deposits of individuals, maintains the current and transfer accounts of physical persons and effects payment operations for individuals in compliance with the law;
- 2) grants loans;
- 3) computes and controls payments through postal and telegraphic

- money orders within the internal system of payments;
- 4) renders services related to international money orders, postal checks, postal savings and redeems;
  - 5) exchange operations;
  - 6) redeems bank and traveler's checks in compliance with the law;
  - 7) redeems foreign currency in compliance with the law;
  - 8) collects security payments in other countries in compliance with the Law of the World Postal Association for Collection of Securities;
  - 9) performs foreign payment operation activities in compliance with the law; and
  - 10) performs other activities on behalf of the PTT enterprise.

The funds earned through operations are employed in the development of the PTT.

#### Article 84

As stipulated under article 83 paragraph 1 item 2, the post-office savings house grants loans independently to physical persons and through a bank by way of bank guarantee to legal entities, according to its business policy.

#### Article 85

The operations listed under article 83 of this Law are conducted by the PTT in the postal outlets on behalf of the post-office savings house, under the conditions and procedures determined in the decision for the founding of a post-office savings house.

## **2. Savings House**

#### Article 86

A savings house may be founded by the Republic of Macedonia and other legal entities situated in the Republic of Macedonia and by physical persons - residents of the Republic of Macedonia, through the passing of a founding act and regulations of the savings house.

A bank may not establish a savings house.

#### Article 87

The act for the founding of a savings house defines the total amount of funds to be deposited by the founder in the founding capital of the savings house, whose minimum is set at the Denar counter value of DM 150.000 at the exchange rate of the National Bank of the Republic of Macedonia on the date of payment.

#### Article 88

The founding and operation of a savings house requires a license from the National Bank.

The application for the issuance of a license is to contain:

- 1) the founding act and the statute of the savings house;
- 2) an outline of the operations to be performed by the savings house and its operative plan for the next two years;
- 3) figures on the level of the founding capital;
- 4) a statement that the founders shall effect payment to the suspense account of the institution in charge of payment operations in favor of the founding capital;
- 5) a statement that the founders shall transfer the title of the non-pecuniary assets to the founding capital of the savings house;
- 6) guarantee of savings deposits through insurance or mortgage on the founder's property when savings houses are founded as stock companies or as companies with limited liabilities;
- 7) guarantee of savings deposits through insurance or mortgage on the property of the founders and on the property of their family members when savings houses are founded as companies with unlimited liabilities;
- 8) information on the financial status of the founders and their joint capital and management relations - for legal entities, i.e., on family relations - for physical persons;
- 9) information on the individuals who will manage the savings house and on their professional management qualifications;
- 10) documents verifying that the personnel, technical and organizational set up of the savings house are adept to conduct the activities stipulated in the founding act; and
- 11) other documentation designated by the National Bank.

The Governor of the National Bank brings a decision within 30 days pertaining to the application for the issuance of a founding and operation license.

#### Article 89

The Governor of the National Bank, on the basis of the application stipulated under article 88 paragraph 2 of this Law, determines whether the conditions for founding and operation of a savings house have been fulfilled, and decides on the issuing of a founding and operation license.

In the decision on the issuance of a founding and operation license, the National Bank specifies the types of operations the savings house may engage in.

In cases when the conditions for founding and operation have not been fulfilled, the Governor of the National Bank shall bring a decision rejecting the license application.

Complaints may be filed with the council of the National Bank against the decision stipulated under paragraph 3 of this article.

#### Article 90

The savings house performs the following operations:

- 1) holds savings deposits of individuals and charity organizations; and
- 2) grants loans to individuals.

#### Article 91

Funds that have not been consumed for granting loans to individuals may be used by the savings bank for approval of loans to legal entities in compliance with the decision of the authorized body of the savings house.

The loans stipulated under paragraph 1 of this article are approved through a bank.

#### Article 92

A savings house may not operate under the name "bank".

### **III. ASSOCIATION OF BANKS AND SAVINGS HOUSES**

#### Article 93

Banks and savings houses may form an association of banks and savings houses.

An association of banks and savings houses is formed for the purpose of advancing operations, resolving current problems and coordinating issues of common interest.

### **IV. PRE-REHABILITATION, REHABILITATION, BANKRUPTCY AND LIQUIDATION OF BANKS AND SAVINGS HOUSES**

#### **1. Pre-rehabilitation Procedure**

#### Article 94

Pre-rehabilitation measures are instituted in a bank or savings house in cases when the National Bank passes a decision determining the following :

- that the bank or savings house is illiquid;
- that the bank has violated the multipliers stipulated under article 24 of this Law for more than 20% in the past six months;
- that the savings house has violated the multipliers prescribed by the National Bank in compliance with article 78 of this Law for more than 20% in the past six months;
- potential losses resulting from unsafe investments and off-balance sheet items amounting to more than 30% of the guarantee capital; and
- that the bank or savings house has failed to meet the remaining operational requirements or the essentials of the monetary policy thus endangering the safety of the savings deposits.

The National Bank determines potential losses based on risk classification of the balance sheets and of the respective off-balance sheet items of the bank or savings house.

#### Article 95

The Governor of the National Bank may introduce the following measures in the pre-rehabilitation procedure:

- 1) set terms to eliminate the irregularities stipulated under article 94 paragraph 1 of this Law;

- 2) appoint a person to organize the operation of the bank or savings house during the pre-rehabilitation procedure;
- 3) control the utilization of funds concerning the deposit guarantees;
- 4) control the operating costs and the payments effected from the transfer account of the bank or savings house;
- 5) control whether the bank or savings house has declared all payment orders pertaining to matured liabilities;
- 6) control the permitted overdraft limits of the current accounts and if required impose a modification or prohibition;
- 7) prohibit the allocation and payment of profits; and
- 8) prohibit the extension of new loans, guarantees and letters of credit.

The National Bank assigns the enforcement procedure of the measures stipulated under paragraph 1 of this article.

## **2. Rehabilitation Procedure**

### Article 96

The rehabilitation procedure may be implemented in a bank or savings house when losses or potential losses resulting from unsafe balance sheets and off-balance sheet items exceed 50% of the guarantee capital of the bank or savings house.

### Article 97

A proposal for the initiation of a rehabilitation procedure may be presented by the bank or savings house, the founders, creditors and the institution for payment operations.

The proposal under paragraph 1 of this article is to be submitted to the National Bank.

The Governor of the National Bank, based on his own judgment or on the proposal of the subjects listed under paragraph 1 of this article, is to pass a decision within 30 days from the receipt of the proposal for the initiation of an evaluation procedure of the financial state of the bank or savings house and the economic feasibility of their rehabilitation, or a decision for the initiation of a pre-rehabilitation procedure.

The procedure for the evaluation of the financial state and economic feasibility of the rehabilitation stipulated under paragraph 2 of this article may exceed 90 days.

#### Article 98

When evaluating the economic feasibility of the rehabilitation of a bank or savings house, the following must be assessed in particular:

- 1) the possibility of additional investments by founders for the rehabilitation of the bank or savings house;
- 2) the loss amount and potential losses of the bank or savings house;
- 3) the amount that the National Bank is obliged to pay in cases of liquidation of the bank or savings house according to the regulations on deposit guarantees;
- 4) the size of the funds required for the rehabilitation;
- 5) takeover offers from other banks or savings houses and the conditions and consequences of the takeover on the financial state of the bank or savings house;
- 6) the interest of others in purchasing shares of the bank or savings house; and
- 7) the consequences of the rehabilitation of the bank or savings house on the economy of the Republic.

#### Article 99

The Governor of the National Bank passes a decision on the initiation of a rehabilitation procedure in the bank or savings house and appoints the rehabilitator after the economic feasibility of the rehabilitation of the bank or savings house has been determined based on the components stipulated under article 98 of this Law.

#### Article 100

The decision on the initiation of the rehabilitation procedure in the bank or savings house includes:

- 1) the amount of losses and potential losses of the bank or savings house under rehabilitation;
- 2) the amount of losses and potential losses of the bank or savings house under rehabilitation which can be written off against the guarantee capital;
- 3) the cash amount employed by the rehabilitator for purchasing bank or savings house shares;

- 4) the amount of potential losses purchased by the rehabilitator temporarily or permanently with his bonds;
- 5) the amount of potential losses taken over by the rehabilitator together with appropriate portion of liabilities;
- 6) the amount of supplementary payments in capital;
- 7) the amount of claims written off by the creditors;
- 8) the name and residence of the bank or savings house undertaking the rehabilitation of a bank or savings house and the term in which the take over is to take place;
- 9) the credit amount that the rehabilitator grants to the bank or savings house that is taken over and the terms under which the credit is approved;
- 10) the liabilities from which the bank or savings house under rehabilitation or the bank or savings house making the take over are discharged and the period of discharge.

#### Article 101

Banks or savings houses in which rehabilitation procedures have been implemented are obliged to write off losses and potential losses against the guarantee capital.

#### Article 102

With the passing of a decision for the initiation of a rehabilitation procedure in a bank or savings house, the functions of all management bodies and employees with special authorizations shall terminate. This shall also apply to the founders rights based on the founders deposits or shares in the bank, which according to article 101 of this Law are used to write off losses and potential losses.

The decision stipulated under article 99 of this Law is submitted to the court in which the bank or savings house has been entered in the court register.

#### Article 103

The rehabilitation of a bank or savings house is effected through:

- 1) supplementary capital payments;
- 2) partial or complete write-off of the bank or savings house debts;

- 3) takeover of potential losses together with the appropriate portion of liabilities;
- 4) temporary or permanent redemption of potential losses;
- 5) takeover of the bank or savings house under rehabilitation by another bank or savings house;
- 6) purchase of all or a certain number of shares of the bank or savings house under rehabilitation, taking the solvency of the purchaser into account so that an individual purchaser or group of purchasers with business interests or management relations can not acquire more than 1% of the newly paid-in capital of the bank or savings house, and all former founders, i.e., shareholders of the bank or savings house and individuals related through business interests or decision-making, cannot acquire more than one-third of the newly paid-in capital; and
- 7) supplementary paid-in capital by the bank or savings house taking over the bank or savings house under rehabilitation.

#### Article 104

The Republic of Macedonia may participate in the rehabilitation of a bank or savings house with state budget funds.

The funds employed by the Republic of Macedonia to participate in the rehabilitation of a bank or savings house are recorded by the rehabilitator on a separate balance sheet.

#### Article 105

The rehabilitator shall undertake the following actions during the rehabilitation procedure:

- 1) temporary or permanent purchase of potential losses;
- 2) takeover of potential losses together with the appropriate portion of liabilities;
- 3) management of the temporarily or permanently purchased potential losses;
- 4) management of potential losses taken over from the bank or savings house under rehabilitation together with the appropriate portion of liabilities;
- 5) sale of the permanently purchased potential losses or the potential losses taken over with the appropriate portion of liabilities;

- 6) extension of loans to the bank or savings house under rehabilitation or the bank or savings house that has been taken over;
- 7) purchase of bank or savings house shares which are under rehabilitation;
- 8) organize sale of bank or savings house shares which are under rehabilitation to other persons; and
- 9) organize the take over of the bank or savings house under rehabilitation by another bank or savings house designated in the decision of the Governor of the National Bank on the implementation of a rehabilitation procedure.

#### Article 106

The rehabilitator is entitled the right to management and profits from the bank or savings house under rehabilitation proportionate to his share in the guarantee capital of that bank or savings house.

#### Article 107

Should the rehabilitator take over the potential losses from the bank or savings house under rehabilitation together with the appropriate portion of liabilities, or temporarily or permanently purchase the potential losses from the bank or savings house under rehabilitation, he is to notify the debtors and creditors of the bank or savings house.

#### Article 108

The rehabilitator undertakes the necessary measures for the realization and sale of the purchased potential losses.

The funds attained through the realization and sale of the permanently purchased potential losses belong to the Republic of Macedonia, while the funds attained through the realization and sale of temporarily purchased potential losses belong to the bank or savings house under rehabilitation.

The funds employed by the Republic of Macedonia for the rehabilitation of a bank or savings house are to be returned to the state by the bank or savings house under rehabilitation from the sales of the permanently purchased potential losses.

#### Article 109

Should all or a certain number of shares of the bank or savings house under rehabilitation fail to be sold according to the decision on the implementation of a rehabilitation procedure, the National Bank may decide to effect the rehabilitation of the

bank or savings house differently or to pass a decision determining conditions for the introduction of a bankruptcy procedure.

#### Article 110

Should the National Bank determine during the rehabilitation procedure that the rehabilitation of the bank or savings house is not possible, the Governor of the National Bank shall pass a decision on the implementation of a bankruptcy procedure.

The decision specified under paragraph 1 of this article regulates the operation of the bank or savings house until the commencement of the bankruptcy procedure.

### **3. Bankruptcy Procedure**

#### Article 111

Should the National Bank determine that the rehabilitation has no economic feasibility, a bankruptcy procedure shall be implemented in a bank or savings house.

#### Article 112

The decision for the initiation of a procedure determining the conditions for the implementation of a bankruptcy procedure in a bank or savings house is passed by the Governor of the National Bank.

A proposal for the passing of a decision determining the conditions for the implementation of a bankruptcy procedure may be submitted by the creditors, the founders of the bank or savings house, the institution for payment operations and the National Bank.

On the basis of the proposal specified under paragraph 2 of this article, the Governor of the National Bank may either initiate pre-rehabilitation measures stipulated under article 95 of this Law, reject the proposal, or pass a decision determining the conditions for the implementation of a bankruptcy procedure.

The bank, savings house and the remaining proponents specified under paragraph 2 of this article may file a complaint against the decision determining the conditions for the implementation of a bankruptcy procedure within eight days upon its submission. The Council of the National Bank shall settle the complaint.

Should the complaint specified under paragraph 4 of this article be filed by the bank or savings house, documentation certifying that the assigned bankruptcy conditions have not been fulfilled must also be enclosed to the complaint.

#### Article 113

The final decision determining the conditions for the implementation of a bankruptcy procedure is submitted to the bank or savings house in which the bankruptcy procedure is implemented, to the bank or savings house which has taken over the bank deposit operations, to the institution for payment operations, to the proponents specified under article 112 paragraph 2 of this Law and to the court in which the bank or savings house has been registered.

#### Article 114

The authorized court shall pass a decision for the implementation of a bankruptcy procedure latest within 8 days upon receipt of the final decision stipulated under article 113 of this Law.

#### Article 115

The authorized court is obliged to notify the bankruptcy administrator of the court activities and warrant participation at the creditors meeting summoned by the court.

#### Article 116

The bank or savings house under bankruptcy and the bank or savings house which has taken over its operations are both obliged within 10 days from the announcement of the bankruptcy procedure in the Official Gazette of the R.M." to determine by way of notary the status of all assets and liabilities of the bank or savings house under bankruptcy on the date of the enactment of the decision on the bankruptcy procedure and to submit these records to the National Bank.

The records specified under paragraph 1 of this article are reviewed by the National Bank who shall submit them to the court authorized to initiate the bankruptcy procedure latest within 10 days upon receipt.

#### Article 117

The legal consequences resulting from the implementation of a bankruptcy procedure occur on the date when the decision for a bankruptcy procedure has been submitted to the bank or savings house and involve the following:

- 1) the effectuation of bank deposit guarantees;
- 2) the effectuation of guarantees of the National Bank and of the Republic of Macedonia on foreign loans;
- 3) with the exception of claims of foreign creditors for which the National Bank and the Republic of Macedonia have issued guarantees, bank or savings house debts in the form of

irregular (occasional) payments are consolidated into a single claim;

- 4) with the exception of claims of foreign creditors for which the National Bank or the Republic of Macedonia have issued guarantees, claims of creditors are considered as mature;
- 5) bank deposit guarantees are reduced for the funds in vault cash; and
- 6) operating costs of the bank or savings house are covered from the advance requested by the bankruptcy board from the proponent of the bankruptcy procedure.

#### Article 118

Prior to refunding the creditors, the costs incurred during the procedure including the costs of the bank or savings house which is taking over the deposit operations from the bank or savings house under bankruptcy, are deducted from the bankrupt's estate.

#### Article 119

The claims of the creditors are settled from the bankrupt's estate in the following order:

- 1) claims on bank deposits guaranteed by the Republic of Macedonia or the National Bank;
- 2) claims by the National Bank;
- 3) claims by creditors other than founders, i.e., shareholders of the bank or savings house; and
- 4) claims by founders, i.e., shareholders of the bank or savings house.

#### Article 120

The provisions of the Law regulating the bankruptcy of enterprises, with the exception of the provisions for enforced settlement, shall be applied in the bankruptcy procedure of a bank or savings house unless otherwise determined by this Law.

### **4. Liquidation Procedure**

#### Article 121

A liquidation procedure is implemented in a bank or savings house when:

- the founders pass a decision on the termination of the bank or savings house and

- the National Bank revokes the founding and operation license of the bank or savings house.

#### Article 122

The Governor of the National Bank passes a decision determining the conditions for the implementation of a liquidation procedure in a bank or savings house in instances stipulated under article 121 of this Law.

A complaint against the decision under paragraph 1 of this article may be filed to the Council of the National Bank.

The decision determining the conditions for the implementation of a liquidation procedure is submitted to the bank or savings house which has taken over the operations of the bank or savings house under liquidation, to the institution for payment operations and to the court authorized to enforce the liquidation procedure.

#### Article 123

The bank or savings house under liquidation and the bank or savings house which has taken over its operations are obliged within 10 days upon receipt of the decision on the implementation of a liquidation procedure to determine by way of notary the status of all assets and liabilities and to submit these records to the National Bank.

The National Bank is obliged to submit the records stipulated under paragraph 1 of this article to the authorized court within 10 days upon receipt.

#### Article 124

Following the completion of the liquidation procedure, the leftover funds are allocated among the founders, i.e., the shareholders of the bank or savings house in compliance with the founding decision.

#### Article 125

The provisions of the Law that regulate the liquidation procedure of enterprises shall be applied in the liquidation procedure of banks and savings houses unless otherwise determined by this Law.

## V. PENALTY CLAUSES

### Article 126

The bank or savings house shall be fined from 150 to 250 salaries for business violations in the following instances:

- 1) commencing operations without obtaining a license from the National Bank (article 10 paragraph 1, article 80 paragraph 2 and article 88 paragraph 1);
- 2) failing to request approval from the National Bank pertaining to instances stipulated under article 18 paragraph 1 of this Law;
- 3) failing to notify the National Bank of instances stipulated under article 19 of this Law;
- 4) failing to adjust specific types of guarantee capital and their level with those designated by the National Bank (article 21 paragraph 2 and article 77);
- 5) failing to set up special reserves in the amount and manner prescribed by the National Bank (article 25);
- 6) not performing the scope of operations within the levels of the guarantee capital (articles 24 and 78) and not conforming the operations with the provisions of this Law within the specified terms (article 128 paragraph 2 and article 131);
- 7) approving loans contrary to articles 27, 84 and 91;
- 8) failing to maintain solvency and liquidity in the operations (article 28);
- 9) effecting payments contrary to article 33 of this Law;
- 10) failing to comply with the provisions of this Law pertaining to the open foreign exchange position (article 35);
- 11) performing activities without the authorization of the National Bank (article 37 paragraph 2);
- 12) performing activities without a license from the National Bank (articles 39, 69 and 89 paragraph 2);
- 13) not displaying the savings deposit terms publicly on the teller's premises (article 43);

14) appointing individuals who can not become members of the managing or supervisory boards as members of these boards (article 52);

15) disclosing business secrets contrary to articles 71 and 72 of this Law; and

16) when savings houses operate under the name "bank" (article 92).

The executive body of the bank or savings house and employees with special authorizations shall be fined from five to ten salaries for committing business violations stipulated under paragraph 1 of this article.

The executive body of the bank or savings house and employees with special authorizations charged with business violations stipulated under paragraph 1 items 5-10 of this article are forbidden to perform executive duties in the bank or savings house two years after the sentence becomes effective.

#### Article 127

Enterprises, legal entities and government bodies shall be fined for business violations from 150 to 250 salaries for refusing to accept checks issued from the current account of individuals (article 45 paragraph 2).

The person in charge of the enterprise, the legal entity and of the government body shall be fined from five to ten salaries for business violations stipulated under paragraph 1 of this article.

### **VI. TRANSITIONAL AND CONCLUDING PROVISIONS**

#### Article 128

All banks founded in the Republic of Macedonia shall continue to operate until this Law enters force.

Bank operations shall be brought into line with the provisions of this Law within a period of two years from the date of enforcement.

#### Article 129

Until this Law becomes effective, other financial associations registered in the Republic of Macedonia are obliged to re-register and conform their operations with the provisions of this Law within six months from its enforcement.

Should they fail to comply with paragraph 1 of this article, other financial associations registered in the Republic of Macedonia shall cease their operation after the expiration of the specified term.

#### Article 130

All savings and loans associations founded in compliance with the Law on Savings and Loans Associations and Operations with Savings and Deposits (Official Gazette of SRM No. 22/78), shall cease their operation within six months from the date this Law enters force and shall be excluded from the court register unless otherwise determined by law.

#### Article 131

All bank branches located outside the Republic of Macedonia are obliged to conform their operations with the provisions of this Law within one year from its enforcement.

#### Article 132

On the date this Law enters into force, the Law on Savings and Loans Associations and Operations with Savings and Deposits (Official Gazette of SRM No. 22/78), the Law on Banks and Other Financial Associations (Official Gazette of SFRJ No. 10/89, 40/89, 87/89, 18/90 and 72/90), the Law on Rehabilitation, Bankruptcy and Liquidation of Banks and Other Financial Associations (Official Gazette of SFRJ No. 84/89 and 63/90) and the Law on the Federal Agency for Deposit Insurance and Bank Rehabilitation (Official Gazette of SFRJ No. 84/89 and 63/90) shall no longer be enforced on the territory of the Republic of Macedonia.

#### Article 133

This Law shall enter into force on the eighth day from the date of publication in the Official Gazette of the Republic of Macedonia.