



NATIONAL BANK OF THE REPUBLIC OF MACEDONIA

Pursuant to Article 2 items 5 and 7 and Article 9 paragraph 3 of the Banking Law ("Official Gazette of the Republic of Macedonia", no. 63/2000) and Article 63 item 30 of the Law on the National Bank of the Republic of Macedonia ("Official Gazette of the Republic of Macedonia", no.29/96 – revised text, 37/98), the National Bank of the Republic of Macedonia Council, on its LXXXVI session held on April 12, 2001, passed the following

DECISION on defining and the method of determining related entities according to the provisions of the Banking Law

1. This Decision shall specify the grounds on which two or more entities may be considered related entities, from the aspect of limiting the ownership structure of the voting shares with, as well as from the aspect of the credit exposure.
2. Entities, in terms of the Banking Law and this Decision, shall denote domestic and foreign legal entities and natural persons.
3. Two or more entities shall be considered related if they represent a single risk, since one of them directly or indirectly, has control over the other entity or in several other entities.
4. Two or more entities between whom there is no relationship of control, shall represent single risk, because they are interconnected that, if one of them were to experience financial problems, the other related entity or entities, would be likely to encounter repayment difficulties, i.e. because the results of the operating of one of the the entities can substantially influence the activity or the results of the operating of the other entity or related entities.
5. According to this Decision, entities which are related to the bank shall be the following:
 - persons with special rights and responsibilities, in terms of the Banking Law;
 - principal shareholder;
 - entities which according to this Decision are related to the entities under lines 1 and 2 of this item;
 - entity that has a significant interest in another entity in which the bank also has a significant interest.

In light of this Decision, "principal shareholder" shall denote a shareholder that owns directly or indirectly more than five percent of the voting shares of the bank.

6. "Control", in light of this Decision shall denote:

- direct or indirect holding or assuming at least twenty percent of the voting shares, i.e. the shares of a legal entity by other entities;
- possibility of one or more related entities, alone or together with other entities to exercise a significant influence on the management and the adoption of the policies and financial and business decisions of one or more legal entities;
- right of the entities, alone or together with other related persons, to appoint and dismiss the majority of the members of the management bodies, managers or presidents and persons with special rights and responsibilities in one or more legal entities; and
- exercising dominant influence by any other means.

When exercising the control from paragraph 1, line 2, 3 and 4 of this item, natural persons shall be either individuals or representatives of legal entities and shall perform a function of ? manager or a president, a person with special rights and responsibilities or a member of the management bodies.

7. Despite the manners determined in items 3 and 4 of this Decision, two or more entities shall also be considered related if:
 - together, alone or with other related entities, determine the business policy and operate in coordination with each other, in order to acquire common commercial advantages;
 - more than 50% of the managers or presidents, persons with special rights and responsibilities and members of the management bodies, are the same persons in both legal entities;
 - one natural person is a spouse, parent or child to the other natural person;
 - two entities, alone or with other related entities, have control over a third entity;
 - two or more legal entities are controlled by one or more natural persons or legal entities, alone or together;
8. The relation between the entities will be determined by either reviewing the financial and other documentation, regularly submitted to the bank by the clients, or reviewing the documentation that the National Bank of the Republic of Macedonia, within its authority, will request from the bank, or otherwise, by applying the usual standards of professional working, in order to determine whether the deterioration or the improvement of financial condition of one legal entity or natural person, may result in a deterioration or improvement of the financial condition of one or more legal entities or natural persons, since there is a possibility that the loss, profit or creditworthiness may be transferred from one to another.
9. From the aspect of the credit exposure limits stipulated in Article 35 and Article 36 of the Banking Law, two natural persons or legal entities shall be considered related if the loans extended to one of the persons are used for financing the activity of the other person/entity, directly or indirectly, or they have the same source of repayment of the liabilities.
10. The term "significant interest", in terms of the Banking Law, shall be specified under item 4, 5 and 6 of this Decision.
11. The provisions stipulated in this Decision shall also be applied for the savings houses operating in the Republic of Macedonia.
12. This Decision shall enter into effect within eight days after its publishing in the "Official Gazette of the Republic of Macedonia".

13. With the effectiveness of this Decision, the Decision on determining capital, management and family relation of legal entities and natural persons ("Official Gazette of the Republic of Macedonia", no. 53/96), shall cease to be effective.

D. no. 02-15/LXXXVI-1/2001
Skopje, April, 12, 2001

President
of the National Bank of the
Republic of Macedonia Council
Ljube Trpeski
Governor