

(Official Gazette of the Republic of Macedonia, No. 63/2000, 29/2002, 43/2002, 49/2003 and 81/2008)

LAW ON DEPOSIT INSURANCE FUND

1. GENERAL PROVISIONS

Article 1

This Law shall regulate the establishment and the operations of the organization of the Deposit Insurance Fund.

Article 2

The Deposit Insurance Fund (hereinafter: the Fund) shall be established and owned by the Republic of Macedonia.

The Fund shall be the legal successor of the Savings Deposit Insurance Fund.

Article 3

The Fund shall be enacted as a legal entity.

The seat of the Fund shall be in Skopje.

Article 3-a

The Fund shall be a specialized financial institution, reimbursing the insured deposits in the banks and savings houses in which a risk event occurred in accordance with Article 9 paragraph 1 of this Law.

2. DEPOSITS SUBJECT TO INSURANCE

Article 4

The banks and savings houses in the Republic of Macedonia are obliged to insure in the Fund the Denar and foreign currency deposits and checking accounts of the physical persons, deposits related to payment cards issued by banks established in the Republic of Macedonia and foreign currency inflows of the physical persons (hereinafter: deposits of the physical persons).

The Governor of the National Bank of the Republic of Macedonia shall revoke the part of the license for establishment and operation of a bank or savings house related to the collection of deposits of physical persons of the bank or savings house the membership of which in the Fund is terminated due to failure to pay the premium.

The membership in the Fund shall also be terminated in cases when the Governor of the National Bank of the Republic of Macedonia revokes the license for establishment or operation of a bank or savings house.

The Fund shall insure the deposits of the physical persons, deposited until the day the license is revoked in accordance with paragraphs 2 and 3 of this Article.

3. RESOURCES

Article 5

Total resources of the Fund shall amount to at least 4% of the total deposits of the physical persons in the banks and savings houses in Republic of Macedonia.

The Fund is obliged to maintain the level of resources set in paragraph 1 of this Article.

When the resources of the Fund exceed the level referred to in paragraph 1 of this Article, the Managing Board of the Fund can pass a decision for terminating the obligation of the banks and savings houses to pay the premium to the Fund.

Notwithstanding the decision referred to in paragraph 3 of this Article, banks and savings houses shall pay premium in the period when implementing measures for improving the situation of the bank, referred to in Article 85 paragraph 1 items: 5, 6, 7, 8, 9, 10, 15, 18 and 19 of the Banking Law, at a flat premium rate set by the Managing Board of the Fund.

Article 6

The resources of the Fund shall be composed of the founding capital, collection of premiums for insurance of deposits of physical persons and revenues from investments.

The resources of the Fund might be invested in:

1) Securities issued by the Republic of Macedonia and the National Bank of Republic of Macedonia with a due date up to six months from the moment the Fund has purchased them.

2) Debentures issued by foreign countries, central banks or public international financial institutions, rated in at least two internationally acknowledged agencies for credit risk assessment, with one of the two highest grades, up to the level of insured foreign currency deposits.

3) Futures, options and forward contracts with deposit institutions rated by at least two internationally acknowledged agencies for credit risk assessment with one of the two highest grades, up to 2% of the resources of the Fund.

The resources from the Fund can be used only for reimbursement of the insured deposits of physical persons and for coverage of operational costs of the Fund.

Article 7

To the end of insuring the deposits of physical persons, the Fund collects premium from the members of the Fund at a rate up to 0.7% on annual level from the total deposits of physical persons in each bank or savings house.

The manner, the payment period and the level of the premium referred to in paragraph 1 of this Article shall be set by the Managing Board of the Fund.

In case of late payment of the premium referred to in paragraph 1 of this Article, the Fund shall calculate and charge legal default interest.

The resources paid to the Fund by banks and savings houses on the basis of premiums shall be irreversible.

The newly-established banks and savings houses are obliged to pay entry premium in the amount of 1% of the founding capital when becoming members of the Fund.

Article 8

In case the Fund lacks resources for payment of the insured deposits of physical persons, the Fund shall provide additional resources via the following:

1) additional payments from the banks and the savings houses, but not more than the triple amount of the premiums, paid in the month prior to the month in which the Governor of the National Bank of the Republic of Macedonia passed the final decision pursuant to Article 9 paragraph 1 of this Law;

2) borrowing in the country and abroad;

3) borrowing from the Budget of the Republic of Macedonia.

The banks and savings houses are obliged to pay the additional payments referred to in paragraph 1 item 1 of this Article to the account of the Fund within 8 days from the day the Fund submits the calculation to the banks and savings houses.

4. REIMBURSEMENT OF DEPOSITS

Article 9

The Fund shall start the reimbursement of the insured deposits of physical persons within three months from the day the decision by the Governor of the National Bank of the Republic of Macedonia for revoking the license for establishment and operation of a bank or savings house becomes final.

The Fund shall reimburse the physical persons up to the level of:

1) 100% of the total deposits of each physical person in one bank or savings house in the amount of up to Euro 10,000 in Denar equivalent; and

2) 90% of the total deposits of each physical person in one bank or savings house amounting to between Euro 10,000 and 20,000 in Denar equivalent, but not exceeding Euro 20,000 in Denar equivalent.

Deposit of one physical person shall be the total deposits referred to in Article 4 paragraph 1 of this Law that the physical person has in a bank or savings house.

The amount referred to in paragraph 2 of this Article shall comprise the principal of the deposit increased by the calculated and undue interest, as follows:

1) For Denar deposits, up to the discount rate of the National Bank of the Republic of Macedonia valid for the appropriate period, if the valid interest rate for the appropriate deposits set by the bank for that period was higher than the discount rate; and

2) For foreign currency deposits up to quarterly EURIBOR for the appropriate period, if the valid interest rate for the appropriate deposits set by the bank for this period was higher than the quarterly EURIBOR.

On the day the decision referred to in paragraph 1 of this Article becomes final, the deposits deposited in foreign currency shall be converted in Denars by applying the middle exchange rate of the National Bank of the Republic of Macedonia.

The reimbursement of Denar and foreign currency deposits shall be made in Denars.

5. DEPOSITS THAT ARE NON-REIMBURSABLE

Article 10

The Fund shall not insure and reimburse the following deposits of physical persons:

1. Deposits of physical persons extended under privileged interest terms, other than the ones published by the bank or savings house,
2. Deposits of the physical persons - owners of over 5% of the voting shares in the bank or the savings house;
3. Deposits of members of management bodies of the bank or the savings house;
4. Deposits of family members of direct lineage of 1st degree of the persons referred to in items 2 and 3 of this Article;
5. Deposits related to transactions used for money laundering if the perpetrator has been convicted and the sentence is effective.

In case a physical person has liabilities towards the bank, the total amount of the deposits of the person shall be reduced by the amount of the liabilities of the person towards the bank or savings house.

In case of joint deposit, the parts of the depositors are considered equal unless otherwise regulated with a contract.

6. BODIES OF THE FUND

Article 11

Bodies of the Fund shall be: Managing Board and Director.

Article 12

The Managing Board shall comprise five members appointed by the Government of the Republic of Macedonia, three out of which upon the proposal by the Minister of Finance, one proposed by the Governor of the National Bank of the Republic of Macedonia and one proposed by the Banking and Insurance Association, who should be an expert in banking and finance and who cannot be a member of a management body or employed in a bank or a savings house.

The Managing Board shall pass bylaws regulating the operations of the Fund.

The members of the Managing Board shall be appointed for four-year term of office.

The Managing Board shall report to the Government of the Republic of Macedonia about its operations.

Article 13

The Government of the Republic of Macedonia shall appoint the Director of the Fund for four-year term of office.

Article 14

The members of the Managing Board and the Director can be dismissed prior to the expiry of their terms of office, if convicted for criminal act against property or for violation of the financial regulation, in the same manner and procedure as for their appointment.

Article 15

The operations and the organization of the Fund shall be defined by the Statute of the Fund. The Statute of the Fund shall be passed by the Managing Board.

The Government of the Republic of Macedonia shall approve the Statute of the Fund.

The Government of the Republic of Macedonia shall approve the financial report and the annual account of the Fund.

7. REPORTS

Article 16

The Fund shall prepare semi-annual and annual operational reports. The Fund is obligated to publish the annual operational report in at least one medium.

An authorized auditor shall perform audit of the operations of the Fund. The audit report shall be mandatorily published in at least one medium.

The Fund is obliged to submit the annual operational report together with the audit report to the Government of the Republic of Macedonia.

8. INFORMATION

Article 17

The National Bank is obliged to submit to the Fund, upon its request, periodical financial reports related to all relevant information with respect to its members.

The reports referred to in paragraph 1 of this Article shall be based on the supervisory reports of the National Bank of the Republic of Macedonia.

The National Bank of the Republic of Macedonia is obliged to submit the Fund monthly reports on the total deposits by banks and savings houses, containing data on the principal and interest on the deposits referred to in Article 4 paragraph 1 of this Law. The monthly reports for the previous month shall be submitted to the Fund by the 25th day of the current month at the latest.

The National Bank of the Republic of Macedonia is obliged to submit the Fund, upon its request, a report on the banks and savings houses - members of the Fund against which measures have been undertaken for improving the situation of the bank referred to in Article 85 paragraph 1 items: 5, 6, 7, 8, 9, 10, 15, 18 and 19 of the Banking Law. The report shall be submitted within ten days from the day the request submitted by the Fund has been received, at the latest.

Upon the request by the Fund, the conservator or the receiver appointed by the Governor of the National Bank of the Republic of Macedonia, i.e. by the Council of the National Bank, is obliged to submit to the Fund a statement on the financial condition and the perspectives of the bank and the savings house. The report shall be submitted within ten days from the request submitted by the Fund has been received, at the latest.

The banks and savings houses - members of the Fund are obliged to submit to the Fund a report on the quarterly state of the total number of depositors with deposits in the amount of up to Euro 10,000, from Euro 10,000 to 20,000 and depositors with deposits exceeding Euro 20,000.

The report on the previous quarter shall be submitted by the 15th day of the current month, at the latest.

The data in the reports referred to in paragraphs 1, 3, 4, 5 and 6 of this Article the Fund receives from the National Bank of the Republic of Macedonia, from the conservator or the receiver and from banks and savings houses, shall be business secret.

8-a. PENALTY PROVISIONS

Article 17-a

The authorized persons of the Deposit Insurance Fund, shall offer, within their authorizations, to the perpetrator of any infraction specified by this law, an intermediation and agreement for the perpetrator of the infraction to pay the fine and other taxes or to eliminate the damages arising from the infraction.

The authorized person of the Deposit Insurance Fund shall initiate the intermediation procedure submitting an offer to the perpetrator of the infraction within eight days after the determination of the perpetration of the infraction.

The perpetrator of the infraction shall, within three days after the receipt of the offer under paragraph 2 of this Article, render a written consent for the initiation of the intermediation procedure.

The authorized persons of the Deposit Insurance Fund for the cases under paragraph 3 of this Article shall compile a minute indicating the consent of both sides to initiate the intermediation procedure that shall also be signed by the perpetrator of the infraction.

The Director of the Deposit Insurance Fund shall adopt a bylaw determining the number, the required education level and the work experience of the members of the Intermediation Committee.

The Intermediation Committee shall work at sessions attended by representatives of the perpetrator of the infraction.

An agreement shall be compiled on the concluded consent on intermediation, indicating the consent of both sides.

The agreement shall specify the obligations for the perpetrator of the infraction, in particular:

- 1) the level and the manner of paying the fine;
- 2) the level and the manner of paying other taxes and expenses,
- 3) the measures which are to be undertaken by the perpetrator of the infraction in order to eliminate the damages arising from the infraction.

The agreement under paragraph 7 of this Article shall enjoy a power of executive document.

The Director of the Deposit Insurance Fund shall adopt rules and procedures and expense report for the work of the Intermediation Committee. The amount and the type of expenses specified by the expense report shall be determined on the basis of the actual costs of the Deposit Insurance Fund for facilitating the work of the Intermediation Committee.

The Intermediation Committee shall keep records on the initiated intermediation procedures and their outcome.

Article 17-b

The responsible person at the National Bank of the Republic of Macedonia shall be fined for infraction in the amount of Denar equivalent from Euro 1,000 to 2,000 if he/she fail to submit or submit in untimely manner to the Fund the reports referred to in Article 17 paragraphs 1, 3 and 4 of this Law.

Article 17-c

Bank or savings house, member of the Fund, shall be fined for infraction in the amount of Denar equivalent from Euro 2,000 to 5,000 if it fails to:

- timely submit to the Fund the report referred to in Article 17 paragraph 6 of this Law;
- pay the additional premium in the specified deadline referred to in Article 8 paragraph 1 item 1 and paragraph 2 of this Law.

Article 17-d

The persons with special rights and responsibilities in the bank shall be fined for infraction in the amount of Denar equivalent from Euro 2,000 to 3,000 if they fails to:

- timely submit to the Fund the report referred to in Article 17 paragraph 6 of this Law;
- pay the additional premium in the specified deadline referred to in Article 8 paragraph 1 item 1 and paragraph 2 of this Law,

Article 17-e

The conservator or the receiver of the bank or the savings house shall be fined for infraction in the amount of Denar equivalent from Euro 1,000 to 2,000 if they fail to submit or submit in untimely manner the report referred to in Article 17 paragraph 5 of this Law.

9. TRANSITIONAL AND FINAL PROVISIONS

Article 18

The Fund will start its operations within three months from the enactment of this Law.

Within the deadline set in paragraph 1 of this Article the Republic of Macedonia will buy out the shares of the banks and the savings houses - founders of the Savings Deposit Insurance Fund at their nominal value.

The resources for the buy out of shares referred to in paragraph 2 of this Law shall be provided from the Budget of the Republic of Macedonia.

Article 19

On the day the Fund starts operating, chapter III-a - Savings Deposit Insurance Fund and the provisions from Articles 93-a to 93-l of the Law on Banks and Savings Houses (Official Gazette of the Republic of Macedonia No. 31/93; 78/93; 17/96; 37/98 and 25/2000) shall cease to be valid and the Savings Deposit Insurance Fund shall be deleted from the Trade Registry.

Article 20

This Law shall enter into force on the eighth day from the day it is published in the "Official Gazette of the Republic of Macedonia".