

Republic of Macedonia

LAW ON MANDATORY FULLY FUNDED PENSION INSURANCE

Table of Contents

CHAPTER 1 GENERAL PROVISIONS	1
CHAPTER 2 PENSION COMPANIES	4
CHAPTER 3 ESTABLISHMENT AND LICENSING OF PENSION COMPANIES AND AUTHORIZATION TO MANAGE A PENSION FUND	17
CHAPTER 4 PENSION FUNDS	30
CHAPTER 5 THE AGENCY	33
CHAPTER 6 PENSION FUND MEMBERSHIP AND CONTRIBUTIONS.....	49
CHAPTER 7 FUNCTIONS OF THE PENSION AND DISABILITY INSURANCE FUND OF THE REPUBLIC OF MACEDONIA.....	62
CHAPTER 8 MARKETING AND SELLING OF PENSION FUNDS.....	65
CHAPTER 9 OPERATION OF ACCOUNTS AND VALUATION OF PENSION FUND ASSETS	73
CHAPTER 10 PAYMENTS OF PENSION BENEFITS	78
CHAPTER 11 REPORTING AND DISCLOSURE OBLIGATIONS.....	82
CHAPTER 12 FEES	88
CHAPTER 13 INVESTMENT OF PENSION FUNDS	93
CHAPTER 14 THE CUSTODIAN	104
CHAPTER 15 GUARANTEES.....	111
CHAPTER 16 PENALTIES	120
CHAPTER 15 TRANSITIONAL AND FINAL PROVISIONS.....	63

CHAPTER 1

GENERAL PROVISIONS

Art. A1

- (1) This law defines the principles of the mandatory fully funded pension insurance, establishment and operation of Pension Funds and their governing Pension Companies, which shall operate as part of the pension and disability insurance system.
- (2) The purpose of these funds and companies mentioned in paragraph 1 is to receive contributions from those required by Law to contribute to such funds, to invest in financial resources; and to distribute accumulations in accordance with Law.
- (3) The Law provides for the establishment of the Agency for supervision of the mandatory fully funded pension insurance, which will grant licenses for incorporation and authorization for Pension Fund management to the Pension Companies supervise the Pension Funds and their governing Pension Companies and will perform various other functions provided for in this Law.

Art. A2

- (1) No entity other than a Pension Company authorized under this Law may market or offer a pension fund, pension scheme or similar pension arrangement, or use the terms "Pension Company", "Pension Fund", "Pension Scheme" or similar expressions, whether in Macedonian or a foreign language, in its name.
- (2) The provisions of paragraph 1 shall not apply to the Pension and Disability Insurance Fund of the Republic of Macedonia in so far as it exercises the functions required of it pursuant to the Law on Pension and Disability Insurance and this Law.

Art. A3

The terms in this Law shall be defined as the following:

- (1) Pension Company – means a joint stock company that is the governing body of a Pension Fund and known as a "Universal Pension Company".
- (2) Pension Fund - means an Open Pension Fund established and managed by a Pension Company.
- (3) Agency for supervision of mandatory fully funded pension insurance – means the Agency that supervises the operations of the Pension Companies and Pension Funds.
- (4) Custodian - means an institution to whom it shall be delegated the responsibility for the keeping of the assets of the Pension Fund and other activities established with this Law. The Custodian of the domestic assets is a bank licensed by the

National Bank of Republic of Macedonia and the sub-custodian shall keep the assets outside the Republic of Macedonia and can be a bank or an authorized depository institution licensed by an authorized body and is authorized for such activity by the laws of the mother country.

- (5) In relation to an entity (the “First Entity”) an “Affiliated Person” means:
- (a) a single shareholder or group of shareholders holding more than 20% of voting securities or, although holding a smaller percentage than this can influence, directly or indirectly, the decisions made by such entity;
 - (b) any entity in which the First Entity, holds, directly or indirectly, more than 20% of voting securities or, although holding a smaller percentage than this can influence, directly or indirectly, the decisions made by such entity;
 - (c) any other entity in which a shareholder whether directly or indirectly holds more than 30% of voting securities and during the same period of time the same shareholder also holds (whether directly or indirectly) more than 30% of voting securities in the First Entity;
 - (d) any physical person or persons directly or indirectly, controlling, controlled by, or under common control by the entity;
 - (e) any member of the board of management, the supervisory board or other decision making or supervisory body of the entity;
 - (f) in relation to any person listed above any member of the immediate family or relative to the second degree inclusive.
- (6) Member of a Pension Fund - means a natural person who has entered into a contract to be a member of a Pension Fund, or in whose name an account has been opened in a Pension Fund in cases specified in the Law, and his membership lasts until he acquires pension benefit.
- (7) Transfer Payment - means a transfer of amounts from the account of a Member opened with a certain Pension Fund to another Pension Fund governed by another Pension Company.
- (8) Agent- means a person performing marketing activities of the Pension Funds and signing membership contracts.

CHAPTER 2 PENSION COMPANIES

Art. B1

A Pension Company shall be incorporated and governed by the provisions of the Law on Commercial Societies except to the extent that provisions of this Law contradict provisions of the Law on Commercial Societies in which case the provisions of this law shall supersede them.

Art. B2

Each Pension Company shall be incorporated and shall conduct its activities only in the form of a joint stock company.

Art. B3

The registered name of every Pension Company shall contain the words "Pension Company".

Art. B4

- (1) The only object of activity of Pension Companies must be the administration of Pension Funds, to representing them before third parties and to those activities directly incidental to the carrying on of pension management business.
- (2) For a period of ten years after the date of commencement of contribution payment in the mandatory fully funded pension insurance referred to in Article G1 paragraph 4 of this Law a Pension Company may only establish and manage one Pension Fund.
- (3) The Agency, with a prior consent of the Ministry of Labor and Social Policy, may by regulations prescribe that after the period set out in paragraph (2) a Pension Company may manage more than one Pension Fund. In such instance the regulations shall specify the number of Pension Funds which may be managed any restrictions imposed on such Funds, who may join such Funds, transfer arrangements between Funds managed by the same Pension Company and such other matters which the Agency considers appropriate according to conditions and level of development of the mandatory fully funded pension insurance and financial market.

Art. B5

A Pension Company shall manage a Pension Fund for fees, which shall be determined and calculated in accordance with the provisions of this Law.

Art. B6

- (1) The share capital of a Pension Company may not be raised or increased by public subscription.
- (2) The shares of a Pension Company shall be ordinary registered shares.

- (3) A Pension Company may not issue preferential shares.
- (4) The Statutes of a Pension Company shall treat all shareholders in an equal manner and shall not award any additional rights or privileges to certain shareholders, limit their rights or impose on them additional responsibilities.

Art. B7

- (1) The minimum share capital of Pension Companies shall on establishment be no less than 1,5 million Euros in MK Denar counter value at the exchange rate of the National Bank of the Republic of Macedonia on the date of the payment.
- (2) Once the assets of the Pension Fund managed by the Pension Company exceeds 100 million Euros and on each subsequent occasion that the assets of the Pension Fund increase by a further 100 million Euros, the shareholders shall within 45 Business Days increase the share capital by 1 million Euros. The Euros are calculated in MK Denar counter value at the middle exchange rate of the National Bank of the Republic of Macedonia on the date of payment.

Art. B8

- (1) The share capital of a Pension Company may only be paid up by cash contributions.
- (2) The share capital of a Pension Company must be paid up in total prior to the registration of that Company.
- (3) The Court keeping the Commercial Register shall inform the Agency for any changes in the share capital of the Pension Company within a period of 3 days after the registration.
- (4) At the establishment, the amount representing the capital shall be paid up in an account opened with a bank, which is a Macedonian legal person, or with a branch of a foreign bank authorized to operate on the territory of the Republic of Macedonia.

Art. B9

- (1) The share capital of a Pension Company may neither come from loans or credits nor may it be encumbered in any manner.
- (2) The share capital of a Pension Company must derive from legal sources and prior to payment have been subject to tax according to relevant tax laws of the Republic of Macedonia or to the relevant laws of the country where any shareholder which is a foreign legal entity is incorporated.

Art. B10

- (1) A Pension Company shall be under an obligation at all times to maintain paid-up capital representing no less than a 50% of the minimum share capital specified at Art. B7 (1).
- (2) If the share capital is increased pursuant to Art. B7 (2) the Pension Company shall be under an obligation at all times to maintain paid up capital representing at least 50 % of the additional share capital.
- (3) A Pension Company shall notify the Agency without delay of any reduction in its own capital below the appropriate level specified in paragraphs (1) or (2).
- (4) Following a reduction in capital below the appropriate level, any failure to bring the capital to the required level within a period specified by the Agency, which shall be no less than 3 months and no more than 12 months, shall be grounds for the cancellation by the Agency of the approval for the Pension Company to manage a Pension Fund.

Art. B11

- (1) A Pension Company may be founded by domestic and/or foreign legal persons.
- (2) The founders which would hold 51% of the share capital of a Pension Company shall be banks, insurance companies, pension companies and other licensed financial institutions or entities which, directly or indirectly, hold more than 50% of the shares of such institutions.
- (3) The same legal person may not be a shareholder of more than one Pension Company.
- (4) Affiliated Persons in relation to each other may not together be shareholders of more than one Pension Company.
- (5) If by virtue of organizational change or a change in the ownership or legal status of legal persons referred to in Paragraphs (3) and (4) they breach the provisions of these paragraphs they shall have a period of six months in which to comply with the provisions of those paragraphs.

Art. B12

- (1) A founder of a Pension Company shall be a legal entity satisfying the following criteria:
 - (a) minimum paid up share capital of the MK Denar counter value at the middle exchange rate of the National Bank of Republic of Macedonia of 20 million Euros at the date of application for a license;
 - (b) a minimum three years of existence;
 - (c) solvent in continuity, whether in Macedonia or abroad;

- (d) permanent management comprised of competent and experienced persons.
- (2) If any non Macedonian financial institution becomes a shareholder it must have at the time an application is submitted to the Agency for it to become a shareholder and for at least one year prior to that time have had a minimum investment grade level rating by reputable international rating agencies.
- (3) More detailed criteria setting out requirements of Articles 14 and 15 shall be issued as regulations by the Agency.

Art. B13

- (1) Each acquisition or transaction of shares of a Pension Company requires the prior consent of the Agency, subject to paragraphs (4). Any transaction that breaches this requirement shall be invalid.
- (2) A Pension Company shall submit an application for the above consent on behalf of the entity intending to acquire or transact shares.
- (3) The Agency shall give its consent to the acquisition or taking up of shares within thirty days from the day of submission of the application referred to in paragraph 2 of this Article, if the applicant fulfils the conditions set out in this Law for the founders of a Pension Company.
- (4) The requirement referred to in paragraph (1) does not apply to any transaction of shares where after the transaction, the party purchasing and any Affiliated Persons to that party would not together hold more than 3% of the share capital of the Pension Company.
- (5) The shares of a Pension Company may not be bought by another Pension Company.
- (6) Pension Companies may not merge, separate or reorganize in any other way.

Art. B14

- (1) The board of management of a Pension Company shall have a minimum of five members.
- (2) The supervisory board of a Pension Company shall have a minimum of three members.
- (3) A member of the board of management or supervisory board of a Pension Company shall be a person who satisfies the requirements of the Law on Commercial Societies and satisfies the following additional provisions:
 - (a) has a university degree ;
 - (b) has professional work experience in the fields of law, banking, accountancy, insurance, asset management and investment, pension fund management or financial services of at least five years; and

- (c) does not have an imposed security measure prohibition to carry out profession, activity or duty in the fields listed at sub-paragraph (b) of this paragraph.

Art. B15

- (1) No serving member of the board of management or supervisory board, general manager or director of a Pension Company which manages a Pension Fund shall serve as a member of the board of management or supervisory board or act as a general manager or director of:
 - (a) any other Pension Company;
 - (b) any foreign asset manager managing the assets of the Pension Fund, if appointed;
 - (c) any Custodian holding the assets of the Pension Fund;
 - (d) any Affiliated Person in relation to the entities listed at sub-paragraph (a) to (c).
- (2) The prohibition referred to in paragraph (1) also applies to persons who are in a relationship of employment, commission or other relationship of a similar nature with entities listed in that paragraph.
- (3) A person referred to in paragraphs 1 and 2 shall only be required to fulfill the terms of this Article once he is a serving member of the board of management or supervisory board of a Pension Company which manages a Pension Fund. He or she shall not be required to meet these criteria at the time an application is made for a Pension Company license or an application is made to serve on a board.

Art. B16

- (1) Each Pension Company shall be liable to Pension Fund Members for damages resulting from any failure to perform, or from inadequate performance of its obligations specified in this law relating to the administration and representation of the relevant Pension Fund, unless the non-performance or inadequate performance is due to circumstances which were outside the Pension Company's control and which could not have been altered by the Pension Company even though exercising the highest degree of diligence.
- (2) A Pension Fund shall not be liable for damages resulting from the non-performance or improper performance of the tasks, referred to in paragraph (1).
- (3) Entrusting a third party with the performance of certain obligations of a Pension Company shall not limit the liability of that Pension Company.

Art. B17

- (1) A Pension Company may not use its own assets to:

- (a) subject to paragraph (2) below, acquire or take up any shares, securities or other interest in any other entity including another Pension Company;
 - (b) grant any loans and provide any guarantees or sureties except as provided for in this Law; or
 - (c) contract any loans or credits, including the issue of bonds, with a total value in excess of a percentage, determined in regulations of the Agency, of the value of its own capital.
- (2) A Pension Company may use its own assets to acquire shares in another entity which acts as a record keeper, transfer agent, sales agent or carries out any other administrative or sales function for the Pension Company provided that such other entity exclusively provides services to the Pension Company. If the entity ceases to comply with the requirements of this paragraph (2) the Pension Company shall within three months divest itself of any shareholding in such entity.
- (3) If a Pension Company intends to acquire shares in other entities pursuant to paragraph (2), consideration for such shares when cumulated with the consideration for all previous such purchases of shares, not subsequently disposed of shall not exceed 10% of the total value of the share capital of that Pension Company as at the date of purchase.

Art. B18

- (1) A Pension Company shall maintain full and accurate accounts for each Member of the Pension Fund it governs showing the contributions paid by that Member, the number of accounting units in the account and the value of the Member's account and such other matters as specified in this Law.
- (2) A Pension Company shall keep in archive form, all documents and other records relating to the Pension Fund managed by it including:
- (a) details of members and former members including full name and address, personal identification number and, if applicable, the amount standing to their account on leaving the Pension Fund;
 - (b) details of all assets bought and sold by the Pension Fund it manages including the date of the transaction, the identity of the other party and the consideration; and
- (3) All documents and other records must be retained for a period of fifty years.
- (4) After a period of ten years has elapsed from the creation of a document or record it may be kept in electronic form only.
- (5) Should a Pension Company cease to manage a Pension Fund, it shall make appropriate provision for the terms of paragraphs (2) and (3) to be complied with.

- (6) The Agency shall issue regulations on content and manner of record keeping mentioned in paragraphs 1 and 2 of this article.

Art. B19

Each Pension Company shall have an external authorized auditor of good repute appointed at all times. Such auditor shall not be an Affiliated Person of the Pension Company or its shareholders, foreign assets manager or the Custodian. The same auditor can perform at most 3 successive annual audits for the same Pension Company.

CHAPTER 3
ESTABLISHMENT AND LICENSING OF PENSION COMPANIES
AND AUTHORIZATION TO MANAGE A PENSION FUND

Art. C1

- (1) To establish a Pension Company it is necessary to obtain a license of the Agency and, once established, in order to undertake the management and administration of a Pension Fund, separate approval of the Agency is required.
- (2) The Commercial Register shall not register a Pension Company unless it has been granted a license by the Agency according to terms and conditions prescribed by this Law.
- (3) The Agency shall issue regulations specifying details of the licensing process for incorporation and approval to manage a pension fund.

Art. C2

The application for a license to incorporate a Pension Company (“license application”) shall be submitted to the Agency at the same time as an application for a promise for approval for the Pension Company to manage a Pension Fund according to this Law.

Art. C3

- (1) The Agency shall at the commencement of the Fully Funded Pension insurance grant licenses for incorporation of Pension Companies on the basis of a competitive public tender.
- (2) The licenses shall be granted for the incorporation of two Pension Companies with such licenses being for a period of ten years. No further licenses shall be granted during the initial ten year period except pursuant to Art. C17.
- (3) The award of two initial licenses is conditional upon three applicants successfully passing the pre-qualification stage set out at Art C6 and at least three bids being submitted for the initial pre-qualification stage.
- (4) The Agency shall after consulting the Ministry of Labor and other relevant institutions, not later than eight years after the date of commencement of contribution payment in the mandatory fully funded pension insurance referred to in Article G1 paragraph 4 of this Law, issue regulations setting out the procedure by which licenses will be granted after the initial ten year period.
- (5) While setting the regulations from paragraph (4), Agency shall consider conditions and the level of development of the fully funded Pension insurance and financial market, whether or not a tender process will be used, whether there will be restrictions on the number of licenses awarded and if so the number of licenses and whether there will be a duration for the license.

- (6) The Agency and its officials shall bear full responsibility for lawful, fair, orderly and transparent administration of the public tender procedure.

Art. C4

- (1) The public tender for the first ten years shall be conducted in two stages; at the first stage, pre qualification of applicants, and at the second stage, choosing two bids pursuant to Art. N1 (1) (a) and granting licenses to the winning applicants.
- (2) In the event the number of applicants that pre-qualify is lower than three, the tender shall be cancelled for a period of 6 months. The tender shall be reopened within thirty days following the last day of this period.
- (3) The application and documentation shall be made by the party or parties which would become the founders of the Pension Company. Where there is more than one applicant, the application shall be submitted jointly in the names of all the applicants.

Art. C5

- (1) The public tender shall be announced in the Official Gazette of the Republic of Macedonia, and in at least two Macedonian daily newspapers, and at least two international financial journals.
- (2) The Agency may sub-contract part or all of the organization of the tender process but shall remain liable for such process.

Art. C6

- (1) The decision as to who pre qualifies for the bidding process shall be taken by the Agency based exclusively upon the criteria set out at Art. C8.
- (2) The Agency shall with no delay notify all applicants as to the decision from paragraph (1) of this Art...
- (3) The Agency may appoint a firm of consultants of positive and substantial international repute to help it evaluate all applications and documentation made pursuant to this Law and to help it determine who pre-qualifies.

Art. C7

- (1) In order to pre qualify, an applicant must submit an application document signed by authorized signatories of each applicant to the Agency in a form prescribed in regulations of the Agency along with the following documents relating to the application for a license for a Pension Company and a promise for approval to manage a Pension Fund:
 - (a) the draft statute of the Pension Company;
 - (b) the draft by-laws of the Pension Fund it would govern;
 - (c) a draft contract with the proposed Custodian;

- (d) a declaration signed by authorized signatories of each applicant that if awarded a license, they will found the Pension Company and Pension Fund in accordance with the provisions of this law.
 - (e) a list of founders along with information as to whether they are connected companies and as to the nature of their connections;
 - (f) in relation to each founder, certified copies of the corporate statutes and excerpt from the registry court , the names and addresses of board members and certified copies of three most recent financial statements as well as any additional evidence necessary to show that the requirements of Article B12 (1) and (3) are satisfied;
 - (g) documents confirming that founders which would hold at least 51% of the initial share capital of the Company have substantial experience of asset management and as at the date of application and for at least one year prior to that date it must have had a minimum investment grade level rating by reputable international rating agencies..
 - (h) documents confirming the origin of financial resources allocated to pay up the Pension Company's share capital;
 - (i) a list of candidates for members of the board of management and supervisory board of the Pension Company along with statements by the candidates that they agree to perform these functions if the bid is successful and fulfill any requirement set out in the Law once appointed including resignation from any conflicting positions prohibited by this law, as well as a description of their qualifications and their prior professional activities;
 - (j) details of senior personnel that it is proposed will be responsible for investment management decisions;
 - (k) a certificate from the applicant stating that members of the statutory governing bodies of the Pension Company pursuant to this Law have no security measure imposed in the fields of law, banking, accountancy, insurance, asset management and investment, pension fund management or financial services;
 - (l) a plan for the implementation of the creation of the Pension Company and Pension Fund as well as an organizational plan outlining the structure of the Pension Company;
 - (m) a statement of the investment strategy for the Pension Fund;
 - (n) other documents as required for the pre-qualification regulated by the Agency.
- (2) no documents submitted shall state any fees to be charged pursuant to Article N1 (1) (a) and such details shall be omitted from the document referred to at paragraph 1 (b).

- (3) Incomplete and untimely applications with documentation shall not be considered and shall be returned forthwith to the applicant with an explanation as to the reason for return.

Art. C8

- (1) The Agency shall make its decision as to successful pre-qualification of applicants by determining whether the following requirements are met and in reaching its decision shall take account solely of the documents and information received pursuant to Arts. C7 and C9.
 - (a) that it appears, from the documentation and information received, that the proposed Pension Company would comply with the paid up capital requirements, as specified by this Law if the license application were to be granted;
 - (b) that it appears from the documents and information received that the applicants would have appropriate financial resources to fill that role;
 - (c) that it appears from the documents and information received that the applicants satisfy the requirements for founders as set out at Arts. B11 and B12;
 - (d) that it appears from the documents and information received that the proposed members of the board of management and the supervisory board and those proposed to be responsible for investment management are fit and proper persons to fill those roles and comply with the requirements of this Law;
 - (e) none of the documents submitted in accordance with Art. C7 contain provisions, or omit to contain provisions, and such inclusion or omission has the effect of threatening the interests of the Members of the Pension Fund or fail to adequately protect the interests of the Pension Fund Members;
 - (f) the applicants demonstrate that they have or, before commencing the carrying on of Pension Fund management, will have made satisfactory arrangements for financial accounting and auditing of the Pension Company in accordance with this law;
 - (g) that the proposed name of the proposed Pension Company or the Pension Fund is not likely to mislead members, prospective members or anyone else likely to have dealings with it;
 - (h) it seems likely that the activities of the Pension Company or Pension Fund will be concluded in accordance with sound and prudent Pension Fund management and business practice;
 - (i) that it appears from the documents and information received that the proposed Pension Company will not be carrying on any other form of

business other than that which is authorized by this Law and directly incidental to the carrying on of the managing of a Pension Fund.

Art. C9

- (1) The Agency may no later than thirty days after receiving a pre-qualification application and documentation require the applicants to submit such additional documents and information as it specifies so long as it does not require any documents which would indicate the fees to be charged by a company.
- (2) The Agency may, if it considers it necessary, investigate any matters relating to a bid. In doing so it may:
 - (a) seek the assistance of competent regulatory or supervisory authorities in Macedonia or abroad;
 - (b) collect documents and information from other sources.

Art. C10

- (1) The Agency shall not enable an applicant to pre-qualify if it appears to it that:
 - (a) the requirement of Art.C8 are not met; or
 - (b) refusal to grant authorization would be in the interest of those who might join the prospective Pension Fund.
- (2) Any refused by the Agency to enable an applicant to pre-qualify must be delivered in writing to the applicants and give justification for the refusal. Such refusal and justification shall be made publicly available after prior request.

Art. C11

- (1) The Agency shall submit written request for submission of a bid to all applicants who pre-qualify. These applicants shall be required to submit a bid in a form and procedure determined in regulations of the Agency.
- (2) The bid application shall be submitted along with a business plan containing such information as specified in regulations of the Agency and details of all fees to be charged pursuant to this Law.
- (3) The selection of a bidder to whom a license shall be awarded shall be determined solely on the competitiveness of the proposed fees to be charged pursuant to Art.N1 (1) (a).
- (4) With the selection from paragraph (3) of this Article licenses shall be granted to the two bidding applicants with the lowest fee with the means of determining this specified in regulations of the Agency. In case there are more than two applicants offering the same lowest fee, results from pre-qualification stage shall be considered as well.

- (5) The Agency shall submit written decision for the selected bidders to all applicants that have submitted a bid in the public tender.
- (6) Any applicant that pre qualified successfully shall have the right to appeal a negative decision at the bidding stage of the tender before the second level Commission of the Government of the Republic of Macedonia.

Art. C12

- (1) Licenses shall be granted on the same date to the two bidding applicants after the decision from Art.C11 (6) has been declared final in a procedure and manner regulated by the Agency.
- (2) At the time of being awarded a license the bidding applicants referred to in paragraph (1) of this Article shall be given a promise for approval to manage a Pension Fund.

Art. C13

- (1) Applicants that are granted a license shall incorporate the Pension Company in accordance with the documents set out in the license application and following the general procedures stipulated in the Law on Commercial Societies and this Law. Such incorporation must be completed no later than three months after receiving the license and the Agency could extend the term for three months at most, in justified circumstances.
- (2) In case applicants from paragraph (1) do not incorporate Pension Company within the term defined in paragraph (1), the Agency shall withdraw the license after the expiration of the period.
- (3) In case of paragraph (2) of this Art. The Agency shall grant the license to the third ranked bidder pursuant Art.C11 (3) of this Law.

Art. C14

- (1) Following its incorporation, the Pension Company shall notify the Agency for such incorporation and registration in the Commercial register within 30 days from such registration. Pension Company is required to submit certified copies of the constitutional documentation and by-laws of the Company, copies of the latest versions of the documents referred to in Art. C7 (1) (b) and (c), a copy of the promise awarded in accordance with Art. C11 (5) and such other documents related to the pension fund operation as required by regulations of the Agency.
- (2) After the fulfillment of the requirements pursuant Art.C13 (1) of this Law and paragraph (1) of this Article the promise for approval shall become valid.
- (3) No Pension Company may commence the activities of managing a Pension Fund, marketing and canvassing activities any earlier than a date specified in regulations of the Agency and not until it has received a license and an approval to manage a Pension Fund and it has been duly registered on the Commercial Register.

Art. C15

Any proposed change to the shareholders, to members of the management or supervisory boards, to senior personnel or any alterations and amendments to the documents or information specified in Art. C7 shall require prior approval by the Agency except where such change is beyond the control of the Pension Company and it has used reasonable endeavors to prevent the change. The Agency shall consider such change in accordance with the provisions of Art. C8 and C10.

Art. C16

- (1) The Agency may cancel or withdraw an approval to manage a Pension Fund for the same reasons that it shall refuse an application pursuant to Art. C7, upon the request of the Pension Company or for a flagrant breach of the provisions of this Law and, in particular, for failing to meet the requirements of Art. C8.
- (2) Before canceling or withdrawing an approval to manage a Pension Fund the Agency shall offer the Pension Company a fair opportunity to rectify any breach in a term specified by the Agency unless it considers that to do so would be contrary to the interests of the Pension Fund Members or contrary to the public interest.
- (3) The Agency shall forthwith notify the Pension Company of the cancellation or withdrawal of approval to manage a Pension Fund.
- (4) The Pension Company may appeal to the second level Government Commission against the Agency's decision from paragraph (1) of this Article. The appeal shall not postpone the execution of the decision of the Agency from paragraph (1) of this Article.

Art. C17

- (1) If the Agency cancels or withdraws a Pension Company's approval to manage a Pension Fund pursuant to Art. C16, the Pension Company shall normally continue to perform its activities under the strict surveillance of the Agency and under a procedure established by regulations of the Agency, with prior consent of the Ministry of Labor and Social Policy, with aim of protection of the interests of the Pension Fund members. This shall continue until a new Pension Company takes over the administration of the Fund. In exceptional circumstances where the Agency considers that the interests of the Pension Fund Members are or may be threatened it may take direct control of the Pension Fund itself.
- (2) If the decision to cancel approval to manage a Pension Fund becomes final, the Agency shall organize a tender in accordance with this Law and grant the winner new license and an approval to manage the Pension Fund.
- (3) The tender process shall not be open to existing Pension Companies, their shareholders or the shareholders of a Pension Company whose license has been cancelled or withdrawn.

- (4) The way in which to undertake the tender and the criteria to be used by the Agency in selecting a winner shall be determined in regulations of the Agency.
- (5) If no bidder is successful or no Pension Company competes to manage the Pension Fund the Agency shall allocate Pension Fund Members to the Pension Funds managed by any other Pension Companies. The manner of doing this shall be specified in regulations of the Agency.

CHAPTER 4 PENSION FUNDS

Art. D1

- (1) A Pension Fund shall be an open-end investment fund whose establishment and operation are governed by the provision of this Law and the Law on Investment Funds, except to the extent that provisions of this Law supersede contradictory provisions of the Law on Investment Funds. A Pension Fund shall be comprised of amounts derived from contributions made by Pension Fund Members and the investment of those contributions.
- (2) A Pension Fund shall be owned by its Pension Fund Members whose individual ownership rights shall be determined by the amount standing to their account, subject to Article G10.
- (3) The assets of a Pension Fund shall be fully segregated from those of its governing Pension Company.

Art. D2

A Pension Fund shall be managed by a Pension Company which shall represent it in relation to third parties.

Art. D3

The registered office of the Pension Fund shall be the same as its governing Pension Company.

Art. D4

- (1) The registered name of every Pension Fund shall contain the words “Open Pension Fund”.
- (2) The registered name of a Pension Fund may not contain the name Macedonia or any abbreviation or derivation.

Art. D5

The assets of a Fund may not be claimed or seized by or on behalf of creditors of a Pension Company.

Art. D6

- (1) The Pension Fund’s by-laws shall contain information on the following:
 - (a) the basic principles and any self imposed limits of investment other than those prescribed by Law,
 - (b) the way that accounts may be deducted to meet brokerage fees directly associated with the sale and purchase of Pension Fund assets,

- (c) the deductions which may be made from the assets of the Pension Fund to meet the fees of the Pension Company,
 - (d) details of the Pension Fund's accounting system,
 - (e) the method of providing information to Members and in particular, the daily national newspaper in which its information prospectus is published,
 - (f) such other matters as may be prescribed in regulations of the Agency.
- (2) The by-laws shall be approved by the Agency.

CHAPTER 5
THE AGENCY FOR SUPERVISION OF FULLY FUNDED PENSION
INSURANCE

Art. F1

- (1) The Agency for supervision of fully funded pension insurance shall be established in order to supervise the operation of Pension Companies and Pension Funds.
- (2) The Pension Agency shall have status of legal personality
- (3) Bodies of the Agency shall be Management Board and Director.
- (4) The Agency shall have by-laws.
- (5) The registered office of the Pension Agency shall be in Skopje.
- (6) The Pension Agency shall report to the Government of the Republic of Macedonia.
- (7) The mission of the Agency shall be to protect the interests of Fund Members and enhance the development of the fully funded Pension insurance in the Republic of Macedonia.

Art. F2

- (1) The Agency shall have the following duties and functions:
 - (a) operate or procure the operation of the tender processes, grant, withdraw and cancel licenses for incorporation and approval for Pension Fund management;
 - (b) supervise the operation of Pension Companies and their Pension Funds - and ensure compliance with this Law and other applicable legislation;
 - (c) supervise the operation of entities acting as Custodians or foreign asset managers of Pension Fund assets in relation to such activities;
 - (d) promote, organize and enhance the development of the fully funded pension insurance in the Republic of Macedonia, in co-operation with the Ministry of Labor and social policy in this regard;
 - (e) create and develop public awareness of the purposes and operating principles of Pension Companies and their Pension Funds, on the benefits of Pension Fund membership, on the rights of Pension Fund Members and other issues relating to the Pension Fund system;
 - (f) proposes legal proceedings against Pension Companies and bodies or persons having a legal relationship with such Companies including asset managers and Custodians, whenever such Pension Companies, bodies or persons break the provisions of this Law or other laws;

- (g) examine and monitor the financial statements of Pension Funds and Pension Companies;
 - (h) keep and maintain register of sales agents;
 - (i) work in conjunction with the Ministry of Finance, the National Bank of the Republic of Macedonia, the Securities and Exchange Commission and other bodies and institutions in the country and abroad, to ensure the more effective supervision and regulation of the fully funded pension insurance and the financial sector. The scope, content and the form of the cooperation shall be mutually regulated between the Agency and competent bodies and institutions;
 - (j) to co-operate with the Pension and Disability Insurance Fund of the Republic of Macedonia on the functions assigned to the Pension and Disability Insurance Fund of the Republic of Macedonia pursuant to this Law;
 - (k) issue regulations pursuant to this Law;
 - (l) issue internal guidance regarding its operation;;
 - (m) make suggestions as to new legislation relating to Pension Companies and Pension Funds;
 - (n) to participate in any Macedonian or international organizations, where such participation would be in the interests of the Macedonian pensions system; and
 - (o) undertake other activities provided for in this Law.
- (2) The regulations of the Agency shall be issued in the Official Gazette of the Republic of Macedonia.

Art. F3

The Agency has active procedural legitimization and may intervene, either directly or indirectly, in any process against Pension Companies and any bodies or persons in a legal relationship with the Pension Company involved, when such action is necessary for the purpose of protecting the Pension Fund Members.

Art. F4

- (1) A Pension Fund Member or a former Pension Fund Member may make a complaint to the Agency against a Pension Company if the Pension Fund Member believes that the Company's or its Pension Fund's activity is not complying with applicable Laws or with the provisions of its constitutive documents.
- (2) A complaint may also be made to the Agency by a Pension Fund Member against any other entity which has had a business or contractual relationship with a Pension Fund or its governing Pension Company where the Pension

Fund Member believes his or her interests as a Pension Fund Member have been damaged as a result of that entity not complying with the Law on the terms of its business or contractual relationship.

- (3) If a complaint is made pursuant to this Article the Agency may first refer the complaint to the relevant Pension Company for investigation, provided this would not prejudice the interests of the complainant.
- (4) The Agency shall maintain records relating to the handling of complaints made to Pension Companies, pursuant to paragraph (3) and shall publish relevant statistics in its informative prospectus.

Art. F5

- (1) The Agency shall have a Management Board consisting of five members appointed by the Government of the Republic of Macedonia.
- (2) The member of the Management Board of the Agency must meet the following requirements:
 - (a) be a Macedonian citizen;
 - (b) hold a university degree;
 - (c) have experience relevant for pension funds in economics, finance, accounting, investment, insurance, actuarial science or law of at least 5 years;
- (3) The term of the members of the Management Board lasts seven years and may be renewed. The members of the Management Board may also be removed by the Government of the Republic of Macedonia before the end of the term, only in cases provided in Art.F6 (6) of this Law.
- (4) An exception from paragraph (3) is in the first term of establishment of the Management Board, two members shall be appointed for three years period, two members shall be appointed for a five years period and one member will be appointed for a seven years period.
- (5) When a member of the Management Board ceases serving as a board member before the end of the term, another person shall be appointed instead of him until the end of the term.
- (6) The Management Board is responsible for:
 - (a) adopting the by-laws of the Agency;
 - (b) adopting the organizational structure and job description act of the posts of the Agency;
 - (c) adopting the annual program for operation of the Agency and monitors its fulfillment.

- (d) adopting the annual report of the Agency.
- (7) Regulations from sub-paragraphs (a), (b) and (d) from paragraph (6) of this Article shall be submitted for approval by the Government of the Republic of Macedonia.

Art. F6

- (1) The Agency shall be led by a Chairman. The Chairman of the Agency shall have a Deputy.
- (2) The Chairman of the Agency and the Deputy Chairman shall be appointed on a proposal of the Minister of labor and social policy, by the Government and removed by the Government...
- (3) The Chairman of the Agency is responsible for:
 - (a) legal representation of the Agency;
 - (b) the operation of the Agency in accordance with the rights and responsibilities determined in this Law;
 - (c) organizing and providing lawful performance of the activities from the field of operation of the Agency;
 - (d) suggesting to the Management Board to adopt regulations under its competence;
 - (e) execution of the decisions of the Management Board;
 - (f) performing other activities that are entrusted to him by this Law, by-laws or other regulations of the Agency.
- (4) The Chairman and the Deputy Chairman of the Agency must meet the following requirements:
 - (a) be a Macedonian citizen;
 - ~~(b)~~ hold a university degree in the fields listed in sub-paragraph (c);
 - (c) has experience relevant for pension funds in the fields of economics, finance, accounting, investment, insurance, actuarial science or law, of at least 6 years;
 - (d) have held a management or supervisory position for at least four years in the fields from sub-paragraph (c).
 - (e) not having imposed security measure prohibition to carry out profession, activity or duty.
- (4) The term of the Chairman and the Deputy Chairman of the Agency lasts seven years and may be renewed.

- (5) The Government may only remove the Chairman and the Deputy Chairman of the Agency for:
- (a) gross dereliction of duty;
 - (b) criminal conviction leading to imprisonment;
 - (c) having imposed security measure prohibition to carry out profession, activity or duty at management position in institution.
 - (d) infringement of the requirements of Arts. F7 and F10;
 - (e) long-term difficult illness preventing the proper undertaking of duties.
 - (f) lost business capacity; and
 - (g) at his request
- (7) The Chairman of the Agency and a Deputy Chairman shall fulfill their activities professionally.
- (8) The Deputy Director shall replace the Director in case of its absence or in case he cannot fulfill its functions due to illness or other reasons, with his full authorization and responsibilities in the management. The Deputy in conjunction with the Director carries operation from the Director responsibilities delegated to him.
- (9) Senior staff of the Agency who are involved in the running of units or departments and those making decisions which could have a significant impact on Pension Companies, Pension Funds or Pension Fund Members, must have good training and relevant experience in the fields of pension fund management, economics, finance, accounting, investment, insurance, actuarial sciences or law of at least 3 years.

Art. F7

- (1) Neither the Chairman nor the Deputy Chairman nor the staff of the Agency may, while holding office:
- (a) accept any remuneration or payment from, any position or employment with, provide any services to, or hold shares in:
 - 1) a Pension Company or the Pension Fund it manages;
 - 2) a Custodian of a Pension Fund; or
 - 3) any Affiliated Person of the persons listed above;
 - (b) hold any elected political office or be a candidate for such an office; or
 - (c) hold any other politically appointed position.

- (2) The restrictions set out in paragraph (1) (a) shall continue to apply to the Chairman and the Deputy Chairman of the Agency for a period of one year after he ceases to hold office.

Art. F8

- (1) In order to undertake its duties, the Agency shall have the following rights:
 - (a) to obtain from a Pension Company copies of all documents or computer records relating to its activities or those of its Pension Fund;
 - (b) to obtain from a Custodian, or foreign asset manager any of the documents listed at sub-paragraph (a);
 - (c) to obtain any information from or interview any members of the Board of Management, Supervisory Board or any employees of the Pension Company, its Custodian or foreign asset manager regarding the activities of the Pension Company or Pension Fund;
 - (d) to require signed written statements from those persons referred to at sub-paragraph (c);
- (2) A person authorized by the Chairman of the Agency shall have the right to enter the premises of:
 - (a) a Pension Company for the purpose of verifying whether the activities of the Pension Company or its Pension Fund conform with the Law and its statute or by-laws;
 - (b) a Custodian or foreign asset manager for the purpose of verifying whether its activities conform with the law and any agreement with the relevant Pension Company.
- (3) The Pension Company, foreign asset manager or Custodian are obliged to ensure that the person who conducts the inspection is given access to all the books, documents and other records relating to the activities of the Pension Company, Pension Fund, foreign asset manager or Custodian.
- (4) The scope of inspection shall be specified in the authorization issued by the Chairman of the Agency.
- (5) The person conducting the inspection shall prepare an inspection protocol, which shall be submitted to the Agency. If the Agency determines irregularities in the operation or keeping of the business books it will order the Pension Company, the Custodian or the foreign asset manager to remove the irregularities in a specified period.
- (6) In accordance with paragraph (5) of this Article, the Pension Company, the Custodian or the foreign asset manager are obliged within the specified period to remove the irregularities and to send a notification to the Agency for the removed irregularities with evidence that the irregularities have been removed

or corrected. If the Pension Company does not remove the irregularities, the Agency may withdraw the approval to manage a Pension Fund.

- (7) If the Agency during the inspection of the operation of the Pension Company and the management of pension funds finds out that there are matters subject to penalty by law, the Chairman or a person authorized by him shall report it to the authorities.

Art. F9

- (1) The Agency shall, within six months of the end of each calendar year, publish a report on the fully funded pension insurance in the Republic of Macedonia, in the Official Gazette of the Republic of Macedonia which shall contain data on the fully funded pension insurance, a review of the operations of the legislation on fully funded pension insurance, an appraisal of the activities of the Agency and any other matters relating to the fully funded pension insurance in the Republic of Macedonia that the Agency considers desirable to include.
- (2) The Agency shall, within six months of the end of each calendar year submit a report for its operation to the Government containing the information set out in paragraph (1) and information relating to the activities of each Pension Company and Pension Fund and such other information as it considers appropriate or is requested by the Government. The report for the operation of the Agency shall be adopted by the Government of the Republic of Macedonia and shall be submitted to the Parliament for information.

Art. F10

- (1) Neither the Agency, its Chairman, its Deputy Chairman, its staff, nor any other persons acting under its authority shall disclose any information which he/she or it has acquired in the exercise of or as a result of exercising any function or power under this Law.
- (2) Any situation in which information is disclosed in the exercise of any function or power provided by this Law or in which there is a decision of a Court demanding it represents an exception to the provisions of paragraph (1).
- (3) The restriction on disclosure in paragraph (1) does not apply when the disclosure is made by the Agency:
 - (a) in response to a written request by the Minister of Labor and Social policy or a public officer appointed by the minister where such request is necessary in order for the requesting party to be able to carry out his, her, or its official duties;
 - (b) in response to a written request by an authority in a country or territory outside of the Republic of Macedonia for the purpose of enabling or assisting it to exercise functions corresponding to those of the Agency;

- (c) in the form of a summary of information relating to Pension Funds or Pension Companies where such information being summarized has been provided by persons authorized under the provisions of this Law and the summary is so compiled as to prevent particulars relating to the affairs of any Pension Fund Member, the business of any Pension Company, Custodian or asset manager being ascertained from it;
- (d) with the written permission of the Pension Company or person concerned.

Art. F11

- (1) The budget of the Agency in relation to its activities pursuant to this Law shall be approved at the same time with the General Budget of the Republic of Macedonia.
- (2) The budget of the Agency shall specify the salaries paid to staff of the Agency. The salaries paid to the Chairman, the Deputy Chairman and senior personnel must be commensurate with that paid in financial sector institutions including Pension Companies.
- (3) The budget of the Agency in relation to its activities pursuant to this Law shall be financed by fees levied by the Agency on Pension Companies including the following:
 - (a) monthly fee levied on Pension Companies, up to 2.5% of the total contributions to the Pension Fund it manages in the preceding month.
 - (b) fees for requesting information about and submitting a tender;
 - (c) fees for incorporation of Pension Company and approval for pension fund management;
 - (d) fees for the provision of forms;
 - (e) fees for training, setting exams for and granting licenses to sales agents;
 - (f) fees for making an entry in register of sales agents, which shall not exceed the administrative cost to the Agency of making the entry.
 - (g) fees for the provision of services; and
 - (h) such other fees as determined in regulations of the Agency.
- (4) The fees specified in paragraph (3) shall be determined by the Agency with a prior approval by the Government of the Republic of Macedonia and published in the Official Gazette of the Republic of Macedonia.
- (5) To the extent that the fees and levies set out in this Act do not suffice, the budget of the Agency may be financed out of the State Budget.

- (6) Auditing of the Agency shall be undertaken by the State Auditor.

Art. F12

- (1) The Ministry of Labor and Social Policy shall supervise the legality of the operation and work of the Agency.
- (2) The Ministry of Labor and Social Policy may stop the execution of any regulation of the Agency if it is not in accordance with this Law or in accordance with the Constitution.

CHAPTER 6
PENSION FUND MEMBERSHIP AND CONTRIBUTIONS PAYMENT

Art. G1

- (1) All persons who become subject to mandatory pension and disability insurance after 1st January 2003 for the first time pursuant to Art. 131 of the Law on Pension and Disability Insurance shall, so long as they remain subject to such obligation, be required to be a Member of and contribute to a Pension Fund of their own choice.
- (2) Persons who have entered for the first time the mandatory fully funded pension insurance after the date stipulated in paragraph (4) of this Article must join a Pension Fund within three months of such entry.
- (3) All persons whom were covered by mandatory pension and disability insurance before the date of granting licenses for incorporating a pension company according to Article C12 paragraph (1) of this Law pursuant to Art.132 of the Law on Pension and Disability Insurance, may join a Pension Fund and contribute to a Pension Fund of their own choice and such election must be made no later than one year after the 1st January 2003.
- (4) Payment of contributions for fully funded pension insurance for contributors referred to paragraph (1) and (3) shall start from the date of the first continuous issuance of government bonds, but not later than six months from this date. The starting date for the payment of contributions shall be determined by the Government of the Republic of Macedonia and shall be published in the Official Gazette of the Republic of Macedonia.
- (5) Subject to Art.G5 a Pension Fund Member may freely join another Pension Fund.
- (6) The Agency shall be responsible for informing Macedonian citizens as to the categories of persons who are obliged to join a Pension Fund, those who may join a Pension Fund, and the type of factors which they should take into account when deciding whether to join a Pension Fund as well as the decisions to be made upon commencing employment or self employment for the first time.
- (7) Any person who is required by the Law on Pension and Disability Insurance to join a Pension Fund and has failed to do so within three months of being first so required shall be automatically allocated by the Agency to a Pension Fund and required to enter into a Membership agreement with that Pension Fund as specified at Art.G2 and shall not be able to revoke such agreement in accordance with Art. G2. If such person refuses to sign the contract, no return will be credited on the assets on his individual account until he signs the contract, which is regulated in more details by the regulations of the Agency.
- (8) The allocation of persons to Pension Funds shall be done so as to ensure that the percentage number of persons allocated to each Pension Fund is approximately proportionate to the total value of assets of each Pension Fund

at a date determined by the Agency but not more than one month before the allocation.

- (9) All contributions made by a person whom is required to join a Pension Fund and does not do so, shall be kept on special accounts of the Pension and Disability Insurance Fund of the Republic of Macedonia in the Pension Funds until the person joins voluntarily or is allocated to a Pension Fund. Such monies shall be invested in all the authorized Pension Funds in accordance with Art. G 11 (2) with the average return of the Pension Funds being credited to the person when he becomes a Pension Fund Member.
- (10) The Agency shall by regulations specify the method of allocating persons, the means of notifying them of allocation, the means of notifying Pension and Disability Insurance Fund of Macedonia about the contributors allocated by the Agency as well as the method of making up contributions required to be made prior to late joining.

Art. G2

- (1) A person joins a Pension Fund by entering into a membership agreement with the Pension Company governing that Fund.
- (2) A Pension Company shall use the same form of membership agreement for all Members of the Pension Fund it governs.
- (3) The Agency shall by regulations specify the standard form of membership agreement to be used for all Pension Funds.
- (4) If a person enters into a membership agreement with a Pension Fund and has not been a Member of any Pension Fund before, he or she may revoke such agreement by delivering a notice to the registered office of the Pension Company within eight Business Days of signature. In case of such revocation the agreement shall be null and void. A person shall not become a Fund Member until the eight Business Day has elapsed.
- (5) The governing Pension Company shall as soon as possible when eight Business Days have elapsed after a person enters into a membership agreement pursuant to paragraph 4 provide a copy of the membership agreement to the Member and notify the Pension and Disability Insurance Fund of the Republic of Macedonia in order that it may change its register of Pension Fund Members.
- (6) The Agency shall issue regulations specifying the dates each year on which persons may become Members of Pension Funds and Transfer Amounts shall be paid from one Pension Fund to another (“Transfer Dates”). A Transfer Date must be a Valuation Date. A person may only become a Pension Fund Member on such dates.
- (7) A Pension Company may not refuse membership of the Pension Fund it governs unless the person applying for membership of the Pension Fund does

not meet eligibility requirements specified in the Law on Pension and Disability Insurance.

- (8) Subject to paragraph (9), an individual may only be a Member of one Pension Fund at any one time and only have one account in that Fund.
- (9) The Agency may prescribe circumstances in regulations whereby once, pursuant to Art. B4, a Pension Company may manage more than one Pension Fund, a person may be a Member of more than one Pension Fund managed by the same Pension Company.
- (10) The Agency shall issue regulations on manner and procedure for pension fund membership.

Art. G3

- (1) Contributions due to a Pension Fund shall be paid by the contribution payers to the Pension and Disability Insurance Fund of the Republic of Macedonia as part of the payments made to that fund in accordance with the Law on Pension and Disability Insurance. 50% of the amount received for late or incomplete payment of contributions for fully funded pension insurance shall be transferred by the Pension and Disability Insurance Fund of the Republic of Macedonia to the account of the Member in respect of whom a late payment was made. The other 50% shall be credited to the budget of the Pension and Disability Insurance Fund of the Republic of Macedonia.
- (2) The Pension and Disability Insurance Fund of the Republic of Macedonia shall forward the contribution to the accounts of the Pension Fund chosen by the Member immediately and no later than five Business Days after receipt of the contributions, providing that during the same term corresponding data which shall enable the Pension and Disability Insurance Fund of the Republic of Macedonia accomplish its obligation, were received.

Art. G4

- (1) If a Member of a Pension Fund (the “First Pension Fund”) wishes to join a Pension Fund governed by another Pension Company (the “New Pension Fund”), he shall enter into a provisional membership agreement with the Pension Company governing the New Pension Fund and sign a form of the type referred to at Art.G2. The Pension Company governing the New Pension Fund shall be required to forward such provisional membership agreement to the Pension and Disability Insurance Fund of the Republic of Macedonia within eight Business Days of provisional execution of the agreement.
- (2) Within eight Business Days of receipt of the provisional membership agreement the Pension and Disability Insurance Fund of the Republic of Macedonia shall write to the relevant Member and shall inform him or her that it has received the provisional membership agreement and shall send him/her a form. It shall state clearly that if the Member wishes to move from the First Pension Fund to the New Pension Fund he or she may have to pay a financial penalty (as specified in Art.N1 (1) (c)). It shall advise the Member that the

process of joining the New Pension Fund and terminating the membership of the First Pension Fund will only proceed if within eight Business Days of receipt of the letter the Member replies by completing and returning a form attached to the letter acknowledging that he may pay a penalty and confirming that he would like to proceed with the change of membership.

- (3) The membership agreement shall be deemed to be fully executed and have effect from the date of receipt of the form referred to at paragraph (2) by the Pension and Disability Insurance Fund of Republic of Macedonia.
- (4) Upon receipt of a duly completed form in accordance with paragraph (2) the Pension and Disability Insurance Fund of the Republic of Macedonia shall within eight Business Days notify the Pension Companies governing the First Pension Fund and the New Pension Fund that the Member has agreed to join the New Pension Fund.
- (5) Between the date of a Member provisionally entering into a membership agreement and the Pension Company governing the New Pension Fund receiving the notification referred to in paragraph (4) neither the Pension Company governing the New Pension Fund, nor any of its affiliates, agents or employees may approach, have contact with the Member or enter into any oral or written communication with the Member relating to the New Pension Fund, the First Pension Fund or any aspect of Pension Fund membership.
- (6) Membership of the First Pension Fund shall terminate on the first Transfer Date falling eight Business Days after receipt of a properly completed form made in accordance with paragraph (4) and the membership of the New Pension Fund shall start on that date.
- (7) The Agency shall issue regulations specifying:
 - (a) the manner and the extension of the terms for entering provisional membership agreement with a Pension Fund due to objective reasons;
 - (b) the information and the content of the form to be provided by the Pension and Disability Insurance Fund of the Republic of Macedonia to a Member who wishes to change Pension Funds;
 - (c) such other matters relating to the provisional entrance into membership agreement with a pension fund.

Art. G5

- (1) A Pension Fund Member may not move to another Pension Fund for a period of two years starting from the date of commencement of contribution payment in the mandatory fully funded pension insurance referred to in Article G1 paragraph 4 of this Law.

- (2) The Agency may waive the requirements of paragraph (1) if any of the events set out at Art.N1 (3) occur in relation to the Pension Fund of which they are Member.

Art. G6

- (1) If a Pension Fund Member elects to transfer in accordance with Art. G4, on a First following Transfer Date a Transfer Payment shall be made between the First Pension Fund and the New Pension Fund.
- (2) The Transfer Payment shall comprise the amount standing to the Account of the Member as at that Transfer Date less any deduction made in accordance with Art. N1 (1) (c).
- (3) The Pension Company governing the First Pension Fund shall notify the Pension Company governing the New Pension Fund of the contributions made by the Member to the First Pension Fund, Transfer Payments received in respect of that Member to that Fund and contributions made by that Member to Pension Funds of which he was formerly a Member.
- (4) The Agency shall issue regulations on the making of Transfer Payments between Pension Funds governed by different Pension Companies and the information to be notified in accordance with paragraph (3).

Art. G7

If a Pension Fund Member ceases to contribute to a Pension Fund before Retirement he shall remain a full Member of the Pension Fund to which he was contributing until death or Retirement and shall have the same rights as other Pension Fund Members under this Law including the right to transfer in accordance with Art.G6.

Art. G8

- (1) If a member becomes entitled to a disability pension pursuant to Art.132-(C) of the Law on Pension and Disability Insurance, a payment of the whole amount standing to a disabled Member's account is required to be made to the Pension and Disability Insurance Fund of the Republic of Macedonia, except in the cases determined in article K2 of this Law. The Pension Company governing the Pension Fund shall on receipt of a notification from the Pension and Disability Insurance Fund of the Republic of Macedonia to the effect that a person is disabled and such a payment is required make arrangement for the whole amount standing to the account of the Member to be transferred to the Pension and Disability Insurance Fund of the Republic of Macedonia on the First Transfer Date falling after receipt of the notification.
- (2) At the time of forwarding the amount referred to at paragraph (1) the Pension Company governing the Pension Fund shall identify the Member in respect of whom the amount is transferred and with it provide a copy of the notification referred to in paragraph (1) to the Pension and Disability Insurance Fund of the Republic of Macedonia. It shall forthwith close the Member's account.

Art. G9

- (1) If a Pension Fund Member dies whilst having dependants entitled to survivors pensions pursuant to the law on Pension and Disability Insurance a notification of death shall be forwarded by the Pension and Disability Insurance Fund of the Republic of Macedonia to the Pension Company governing the Pension Fund. After the notification of the death the Pension Company shall make arrangements for the whole amount standing to the account of the Member to be transferred to the Pension and Disability Insurance Fund of the Republic of Macedonia on the first following Transfer Date, except in the cases determined in article K3 of this Law.
- (2) At the time of forwarding the amount referred to at paragraph (1) the Pension Company governing the Pension Fund shall identify the Member in respect of whom the amount is transferred. It shall forthwith close the deceased Member's account.
- (3) If a Pension Fund Member dies without having dependants entitled to survivors pensions pursuant to the Law on Pension and Disability Insurance the amount standing to the Pension Fund Member's account shall form part of his estate and will be paid out in accordance with the Law on Inheritance. Until such time the account will remain open and such monies shall be converted into accounting units and invested by the Pension Company in the same manner as other Pension Fund assets. Upon transfer of the total amount standing to the account being made, the account of the Pension Fund Member shall be closed forthwith.

Art. G10

- (1) The amount standing to the account of a Pension Fund Member shall constitute the personal assets of that person. The right to receive any part of the amount standing to an account shall, subject to the other provisions of this Chapter, not arise until Retirement, death or disability and shall be subject to the provisions of this Law.
- (2) The amount standing to the account of a Pension Fund Member shall not be subject to execution, shall not be part of an estate in bankruptcy of the Pension Fund Member and shall not be covered by any settlement proceedings.
- (3) No amount standing to the account of a Pension Fund Member shall be pledged, assigned or applied for the benefit of anyone other than the Fund Member except in accordance with other provisions of this Law. Any attempt to do so shall be null and void.

Art. G11

- (1) To the extent that contributions are received by the Pension and Disability Insurance Fund of the Republic of Macedonia for which it can be determined that belong to a pension fund member or to a person that should choose a

pension fund but because of any reason could not be forwarded to the appropriate Pension within five Business Days of payment, such monies shall be dealt with in accordance with paragraphs (2) and (3) of this Article. The assets for which within specified period it can not be determined that belong to a pension fund member or to a person who should choose a pension fund, shall be kept on the account of the Pension and Disability Insurance Fund of the Republic of Macedonia until its membership status shall be determined.

- (2) The Pension and Disability Insurance Fund of the Republic of Macedonia shall have a special account in each Pension Fund. The monies on such accounts shall be derived from any unallocated monies referred to in paragraph (1). The Pension and Disability Insurance Fund of the Republic of Macedonia shall ensure that the proportion of monies deposited with each Pension Fund is approximately the same as the proportionate share of each Pension Fund to the total amount of assets held by all Pension Funds. Such monies shall be converted into accounting units and invested by the Pension Company in the same manner as other Pension Fund assets.
- (3) The Agency shall issue regulations setting out:
 - (a) the method of depositing and withdrawing monies on such accounts;
 - (b) fees that may be levied by Pension Companies in relation to such monies and such accounts;
 - (c) the method of crediting Pension Fund Members with any returns on such monies;
 - (d) reporting requirements; and
 - (e) such other matters related to contributions paid but not transferred to appropriate pension fund.

CHAPTER 7
FUNCTIONS OF THE PENSION AND DISABILITY INSURANCE
FUND OF THE REPUBLIC OF MACEDONIA

Art. H1

The Pension and Disability Insurance Fund of the Republic of Macedonia shall undertake the following functions in relation to the system of the fully funded pension insurance, in the part of a unified process of collection of contributions for pension insurance, pursuant to the Law on Pension and Disability Insurance:

- (a) Receive the contributions for the members of the pension funds from the contribution payers;
- (b) Reconcile contributions with information received from the contribution payers with the data in registry of the Pension and Disability Insurance Fund of the Republic of Macedonia on every Business Day;
- (c) Allocate contributions of Pension Fund Members to selected Pension Funds, immediately, and no later than five Business Days after receipt of the same, provided that adequate data has been received by the Pension and Disability Insurance Fund of the Republic of Macedonia to enable it to fulfill such obligation. In case those conditions are not fulfilled Pension and Disability Insurance Fund of the Republic of Macedonia shall act pursuant to Art G11 paragraph (1) and (2);
- (d) Transmit data to Pension Companies in relation to the allocation of contributions pursuant to the paragraph (3) of this article;
- (e) Maintain full and accurate records for individual accounts of members showing the status of contributions paid by Members to each Pension Fund;
- (f) Receive data for the members from Pension Companies in accordance with this Law, and for the Pension Funds they have chosen as well as data from the Agency about the members allocated by the Agency
- (g) Maintain a database in relation to the matters described in this Article and reconcile such data monthly.
- (h) Prepare and provide the Agency with regular summary reports and other regular reports on the request of the Agency, in order to facilitate its operation.

Art. H2

The Government shall issue further regulations prescribing the manner in which the functions of the Pension and Disability Insurance Fund of the Republic of Macedonia set out in Art.H1 of this Law shall be undertaken.

Art. H3

- (1) The Pension and Disability Insurance Fund of the Republic of Macedonia is obliged to make available computer software (program) compatible with commonly used software in the Republic of Macedonia, to enable contribution payers to control contributions and submit data on wages and contributions to the Pension and Disability Insurance Fund of the Republic of Macedonia, by electronic means.
- (2) The Government shall issue further regulations prescribing the manner and the procedure in which the functions of the Pension and Disability Insurance Fund of the Republic of Macedonia pursuant to paragraph 1 of this Article shall be undertaken.

Art. H4

The Pension and Disability Insurance Fund of the Republic of Macedonia shall work in conjunction with the Agency, the Pension Companies, and other competent bodies in order to ensure the more effective operation of the pension system.

Art. H5

- (1) The Ministry of Labor and Social Policy shall supervise the functioning and the legality of the operation of the Pension and Disability Insurance Fund of Macedonia, in relation to its functions undertaken under this Law.
- (2) The Ministry of Labor and Social Policy may stop the execution of any regulation of the Pension and Disability Insurance Fund of Macedonia if it is not in accordance with this Law or in accordance with the Constitution.

CHAPTER 8 MARKETING OF PENSION FUNDS

Art. I1

- (1) No body or person may offer any collateral benefits to a person for the purpose of persuading that person to join a Pension Fund or remain its Member.
- (2) No body or person may offer any collateral benefits to a person for the purpose of persuading a person to attend or remain at a meeting at which a Pension Fund is marketed.
- (3) No body or person may offer any collateral benefits to an employer or Affiliated Person of the employer for the purpose of inducing or rewarding that employer to persuade or require its employees to join a particular Pension Fund.
- (4) No body may offer any collateral benefits to a trade union or other collective entity or Affiliated Persons of such union or entity for the purpose of inducing or rewarding that body to persuade or require its members to join a particular Pension Fund.
- (5) Collateral benefits includes, but is not limited to, any benefits such as cash incentives, payment of early termination penalties levied by other Pension Funds, gifts of physical property, artistic exhibitions, shows or displays or benefits for which a person may normally have to make payments other than benefits which flow naturally and directly from Pension Fund membership.

Art. I2

- (1) No person, falling within the categories listed in paragraph (3), may make any claims or statements, either orally, in advertisements, other promotional material or in written information distributed to Pension Fund Members, those who are eligible to be Pension Fund Members or those who may be eligible at a future date about a Pension Fund or its governing Pension Company, which may give a misleading or false impression or convey false information.
- (2) No person falling within the categories listed in paragraph (3), may make any claims, statements or predictions relating to the future investment performance of a Pension Fund, to Pension Fund Members or those who may be eligible at a future date, except by making a statement in a form and manner specified in regulations of the Agency.
- (3) The categories of persons referred to at paragraph (1) and (2) are:
 - (a) any Pension Fund and any Pension Company;
 - (b) any Affiliated Person in relation to the entities listed at (a);
 - (c) any sales agents or employees of the persons listed at (a) and (b);

- (4) The Agency shall issue guidelines as to what should and should not be contained in advertising or written promotional material for a Pension Fund and Pension Company including guidance as to ensuring that information is presented in a fair and reliable way. The Agency approves all the marketing materials before their disclosing and broadcasting.
- (5) If the Agency considers that any advertising or written material is or may be misleading, it may ban or suspend its publication, or distribution, and order that an appropriate correction is published or distributed by a specified deadline.

Art. I3

- (1) No marketing of a Pension Fund to a person may take place at the establishment at which that person works.
- (2) No person in a position of authority at work to another person may market a Pension Fund to that person.

Art. I4

- (1) A Pension Company may only enter into a membership agreement or provisional membership agreement through a registered sales agent.
- (2) A registered sales agent must be present at the time a prospective Member enters into a membership agreement or provisional membership agreement and must countersign that agreement.
- (3) A sales agent may only undertake any marketing activity once entered on the register of sales agents.
- (4) A sales agent may only market the Pension Funds governed by one Pension Company and shall be required to be re-registered to market, at a later date, the Pension Funds governed by another Pension Company.
- (5) The re-registration referred to at paragraph (4) may not occur until a period of at least one year has elapsed from the person ceasing to be the sales agent for any Pension Company unless the person ceases to be a sales agent because the Pension Company ceases to hold a license to manage a Pension Fund.
- (6) In order to be entered on the register of sales agents a person must:
 - (a) be a citizen of the Republic of Macedonia;
 - (b) he or she has no imposed security measure prohibition to carry out profession, activity or duty in the area of economy, finance, insurance, banking and law;
 - (c) have completed at least secondary education; and
 - (d) have passed an examination set by the Agency for sales agents.

- (7) A person must be added to the register within one month of the Agency receiving a valid application, provided that he has fulfilled the requirements from paragraph 6 of this article. Such application shall be made by a Pension Company on behalf of an agent.
- (8) The Agency may remove a person from the register of sales agents for any transgression of the Law.
- (9) If a person is removed from the register pursuant to paragraph 8 the Agency may at that time impose a restriction on that person being re-entered for a period of up to five years from the date of removal.
- (10) The Agency shall issue regulations specifying the manner and procedures for sales agents exam and the procedure for entering the register of sales agents.
- (11) The Agency to the persons who shall pass the exam will issue a certificate. The form and content of the certificate is regulated by the Agency.

Art. 15

- (1) If a Pension Company by the use of Personal Contact by an employee, representative or agent of the Pension Company or an Affiliated Person persuades a person to cease membership of a Pension Fund and become a Member of the Pension Fund governed by that Company it must be able to demonstrate that at the time of persuasion, it could not reasonably have expected movement to the Pension Fund governed by the Pension Company to be contrary to the best interests of that person.
- (2) If a Pension Company by the use of Personal Contact by an employee, representative or agent of the Pension Company or an Affiliated Person persuades a male over the age of 50 or a female over the age of 45 to join a Pension Fund for a period of one year after the date referred to in Article G1 paragraph (3) of this Law, it must be able to demonstrate at the time of persuasion, membership of the Pension Fund governed by the Pension Company could not reasonably be foreseen to be contrary to the best interests of that person.
- (3) In paragraphs (1) and (2) “Personal Contact” means any meeting, telephone conversation or personally addressed correspondence between the employee, representative or agent of the Pension Company and the person concerned or any Affiliated Person of the person concerned.

Art. 16

No body or person may use any method to market a Pension Fund that is likely to offend public morals or bring the mandatory fully funded pension insurance into disrepute.

Art. 17

The Agency may issue regulations specifying manners and procedures in relation to the marketing of Pension Funds.

CHAPTER 9
OPERATION OF ACCOUNTS AND VALUATION OF PENSION FUND
ASSETS

Art. J1

- (1) Contributions and Transfer Payments paid to Pension Funds and any investment return subsequently earned shall be credited to individual accounts in the name of the Member.
- (2) The record keeping relating to individual accounts of a Pension Fund shall be undertaken by the Pension Company governing the Pension Fund.

Art. J2

- (1) For keeping records of individual accounts and assets of pension funds, accounting units shall be used.
- (2) Each accounting unit shall, for valuation purposes, represent a proportionate share in each asset of the Pension Fund.
- (3) The value of the total number of accounting units of a Pension Fund shall always be equal to the total value of that Pension Fund's net assets calculated in accordance with Art. J3.
- (4) Assets from paragraph (1) may be converted into fractions of accounting units, and the value of assets standing to a Member's account may be expressed in such fractions.

Art. J3

- (1) The value of the assets of a Pension Fund shall be determined on the basis of the market value of the individual assets.
- (2) The value of the net assets of a Pension Fund shall be determined by deducting the liabilities of a Pension Fund other than liabilities to Pension Fund Members from the value of its assets.
- (3) The Agency shall after consulting fully with and having regard to the views of the Securities and Exchanges Commission issue regulations setting out detailed principles for valuing the assets of Pension Funds and calculating the value of its net assets.

Art. J4

- (1) The contributions received by a Pension Fund shall be converted into accounting units on determined dates, hereinafter referred to as "Valuation Dates", according to the value of the accounting units on that date. A

Valuation Date shall always be on the last Business Day of each month. The Agency shall prescribe other Valuation Dates in shorter periods if required by the fully funded pension insurance and financial market.

- (2) The value of an accounting unit on the first Valuation Date following the payment of the first contribution to the Pension Fund shall be set out in regulations of the Agency.
- (3) Until contributions are converted they shall be kept on a separate cash account of the Pension Fund. Interest on that account shall constitute the Pension Fund's revenue.

Art. J5

- (1) The value of the net assets of a Pension Fund shall be calculated as at and on each Valuation Date and notified to the Agency forthwith.
- (2) On each Valuation Date the value of an accounting unit of that Pension Fund shall also be calculated and notified to the Agency forthwith.
- (3) The calculations referred to in paragraphs (1) and (2) shall be made by the Pension Company governing the Pension Fund and audited by an independent external auditor who shall not be an Affiliated Person of the Pension Fund, the Pension Company, any foreign asset manager or Custodian. These calculations shall be subject to control by the Agency.

Art. J6

- (1) A Pension Company, which governs a Pension Fund, shall as at the end of March and September each year determine the return for the previous 36 months, in accordance with paragraph (2). If a Pension Fund has not been accepting contributions for a period of 36 months but has for a period of 12 months, it shall as at the end of March and September calculate the return for a twelve month period or if it has been accepting contributions for 24 months (but not 36 months) shall instead calculate the return for that period. The return shall be notified to the Agency and may be publicized by the Agency.
- (2) The return of a Pension Fund shall be the difference between the value of an accounting unit on the last Valuation Date of the months specified in paragraph 1 and the value of that unit on the last working day of the month ending either 12, 24 or 36 months, as the case may be, previously, in relation to the value of that unit on the last working day of the month ending either 12, 24 or 36 months, as the case may be, previously. The return shall be expressed in percentage.

Art. J7

The Agency shall issue regulations specifying:

- (a) Rules relating to the computation of the return of Pension Funds, including the principles of rounding-up those values.

- (b) The date when a Pension Company is to notify the Agency of the value of its Pension Fund's net assets, the precise method of determining the dates as at the end of March and September as at which the calculations shall be made, the method of valuation, the value of an accounting unit, its Pension Fund's return, as well as the method of such notification.

Art. J8

All internal bookkeeping and accounting of Pension Companies and Pension Funds shall be undertaken in accordance with relevant laws and with international accounting standards.

CHAPTER 10
PAYMENTS OF PENSION BENEFITS

Art. K1

- (1) When a Member is entitled to an old age pension according to the Law on Pension and Disability Insurance, the whole amount standing to the account of the Member shall be used, by discretion of the Member for:
 - (a) purchasing an annuity payable for life from a specialized institution authorized for such a purpose.
 - (b) participation in a program for scheduled withdrawals provided by the Pension Company from the Pension Fund he was a member of until retirement.

Art. K2

If the accumulated assets of a member are higher than the necessary amount for a disability pension according to the Pension and Disability Insurance Law, the member by discretion could choose instead of that disability pension to acquire the rights pursuant to Art. K1.

Art. K3

If the accumulated assets of a member are higher than the necessary amount for a survivors pension according to the Pension and Disability Insurance Law, the survivors pension beneficiary by discretion could choose instead of that survivors pension to acquire the rights pursuant to Art. K1.

Art. K4

- (1) When a Pension Fund Member is not entitled to an old age pension according to the Law on Pension and Disability Insurance, because he/she has not completed at least 15 years of pension service, he/she can buy a monthly annuity if that amount is equal or higher than 40% of the minimum pension.
- (2) When the calculated annuity from paragraph (1) of this Article is less than 40% of the minimum pension the Pension Fund shall pay to the member a lump sum equaling the amount on his account.

Art. K5

The provision of pension annuities and the program for scheduled withdrawals shall be regulated in more details in a separate law.

CHAPTER 11
REPORTING AND DISCLOSURE OBLIGATIONS

Art. M1

- (1) A Pension Company shall no later than 31 March each year publish an information prospectus for its Pension Fund containing information true and correct as at the previous 31 December.
- (2) The information prospectus of a Pension Fund shall contain the following information relating to the Pension Fund and managing Pension Company:
 - (a) the names of the members of the board of management and the supervisory board of the managing Pension Company;
 - (b) the names and addresses of the shareholders and the proportion of their shareholding;
 - (c) the name and address of the Custodian as well as details of any change of Custodian in the previous year and reasons for that change;
 - (d) the basic principles of investment for the period in question and any self imposed limits of investment (other than those prescribed by Law);
 - (e) the fees charged to a Member;
 - (f) the information set out at Art. M2(3);
 - (g) the number of Members;
 - (h) the net asset value of the Pension Fund as at the Valuation Date immediately preceding the relevant date of 31 December;
 - (i) such other information for the operation of the Pension Company and the Pension Fund management as required by regulations of the Agency in order to provide transparency;
- (3) The information shall be published in a brochure format and in at least one daily national newspaper widely circulated in the Republic of Macedonia.
- (4) The format of the information prospectus shall be prescribed by regulations of the Agency.
- (5) A Pension Company shall make the information prospectus and the by-laws of its Pension Fund as referred to at Art.D6 available for inspection by any person who applies for membership in that Fund, before the applicant enters into an agreement with the Pension Fund.
- (6) A Pension Company shall also provide the information prospectus and the by-laws of its Pension Fund to any Fund Member who so requests it.

Art. M2

- (1) A Pension Company shall at regular intervals, and at least once in every six months, provide each Pension Fund Member with written information on the assets standing to the Member's account, dates of contributions and Transfer Payments made by the Member during the relevant period and conversion of those contributions and Transfer Payments into accounting units.
- (2) Upon a request from a Pension Fund Member at any time, a Pension Company is required within eight business days of the request to provide that Member with a statement of the monetary value of the assets standing to his account.
- (3) At least once a year a Pension Company shall provide information to each Pension Fund Member on the value and proportion of the assets of its Fund invested in particular classes of assets, including details of the issuers of particular securities, as on the last Valuation Date preceding 31 December each year. The obligation to provide data on the issuers of particular securities shall only apply to investments representing at least 1% of the value of Pension Fund assets. The Pension Company shall also provide information on the total fee paid by it or its asset managers to brokers in relation to Pension Fund assets in the period since the previous report and the average costs of such fees per accounting unit.
- (4) The information referred to at paragraphs (1) and (3) shall be provided free of charge to the Member. A Pension Company may impose a fee for providing the statement referred to at paragraph (2) but such fee may not exceed the printing and mailing costs of providing the statement.
- (5) The information referred to paragraph (1) and (3) shall be submitted at such shorter intervals as specified in regulations of the Agency. The Agency shall issue regulations specifying type and period in respect of which such information shall be submitted, the manner and format in which any information shall be provided and its method of transmission.

Art M3

- (1) A Pension Company shall be required to submit the following information to the Agency:
 - (a) in respect of both itself and the Pension Fund which it manages, statements of assets and liabilities, income and expenses, signed by a certified public accountant and audited by an independent accounting firm;
 - (b) in respect of both itself and the Pension Fund which it manages, a balance sheet with a profit and loss account signed by the general manager and chief accountant of the board of management and audited by an external authorized auditor.
 - (c) details of the acquisition and transfer of Pension Fund assets including the identity of the asset, the date of the transaction, the price at which the transaction was undertaken and the broker used;

- (d) statutory returns specifying brokerage fees, custodial fees, commissions paid to sales agents and other matters designated by this Law;
 - (e) details of the shareholders of the Pension Company including their names and addresses;
 - (f) the names of and remuneration paid to, the members of the supervisory board and the board of management;
 - (g) the information prospectus referred to at Art. M1;
 - (h) the information referred to at Art. M2(3);
 - (i) details of the number of Members, the number of those who have joined during the year, the numbers who have transferred to other Pension Funds, the number who have died and the number who have retired; and
 - (j) such other information as the Agency may require.
- (2) The information specified above shall be submitted on at least an annual basis and at such shorter intervals as specified in regulations of the Agency. The Agency shall issue regulations specifying type and period in respect of which such information shall be submitted, the manner and format in which any information shall be provided and its method of transmission.
- (3) By exception of paragraph (2), the information specified in paragraph (1)(c) shall be submitted on a monthly basis and at such shorter intervals as specified in regulations of the Agency. The Agency shall issue regulations specifying type and period in respect of which such information shall be submitted, the manner and format in which any information shall be provided and its method of transmission.

Art. M4

- (1) A Pension Company shall submit to the Pension and Disability Insurance Fund of the Republic of Macedonia information on the identity of its Pension Fund Members, the amount standing to each Member's account and such other information as specified in regulations of the Agency in order that the Pension and Disability Insurance Fund of the Republic of Macedonia can effectively undertake its functions pursuant to this Law, as well as research, analysis and back-up of data. The Pension and Disability Insurance Fund of the Republic of Macedonia shall not be required to keep records of individual Member accounts. .
- (2) Information specified paragraph (1) shall be submitted on at least an annual basis and at such shorter intervals as specified in regulations of the Agency. The Agency shall also issue regulations specifying type of information as is required by the Pension and Disability Insurance Fund of the Republic of

Macedonia, the format in which any information shall be provided and its method of transmission.

CHAPTER 12 FEES

Art. N1

- (1) A Pension Company may only charge fees in the following manner:
 - (a) by deducting a specific percentage from the contributions paid, subject to the provision that such deduction shall be made before contributions are converted into accounting units;
 - (b) by deducting 0.05% of the value of the managed net assets of the Pension Fund per month, to cover costs of management of the Pension Fund by the Pension Company. The calculation shall be made for each date of valuation of the assets of the Pension Fund and shall be payable on the last working day of the month following that valuation;
 - (c) by deducting a specific amount from the amounts standing to the account of a Pension Fund Member. Such a deduction shall be made only if a Transfer Payment to another Pension Fund is made before the Pension Fund Member has been a Member of the Pension Fund making the Transfer Payment for a period of 24 months from the date when he/she became a Member of that Fund. The maximum amount and method of levy of the fee shall be specified in regulations of the Agency with a prior consent of the Ministry of Labor and Social Policy.
- (2) Any amounts representing the equivalent of fees referred to in paragraph (1) (c) shall be allocated immediately from the Pension Fund to the governing Pension Company.
- (3) The fee referred to in paragraph (1)(c) may not be imposed in the following circumstances:
 - (a) if an increase in the fees referred to at paragraph (1) has been notified or imposed by the Pension Company governing the transferring Fund in the six month period preceding the date of the Transfer Payment.
 - (b) If the Agency adjudicates that the person in question joined the Pension Fund following marketing activity contrary to the provisions of this Law; or
 - (c) in the event of the Pension Company governing the Pension Fund entering into bankruptcy or having a license to manage that Pension Fund cancelled or withdrawn by the Agency.

Art. N2

- (1) Subject to paragraph (2) a Pension Company shall charge the same percentage fees as specified in Art.N1 to all its Pension Fund Members.

- (2) The fee referred to in Art.N1 (1)(b) may be reduced in relation to all persons who have been Pension Fund Members for a period specified in regulations of the Agency. If fees are reduced it must be done on a uniform basis so that there is no differentiation in relation to persons who have been Members of the same Pension Fund for the same period of time.

Art. N3

- (1) Any proposal to increase the percentage amount of any fee levied pursuant to Art.N1 (1) (a) or (b) or the percentage or absolute amount of the fee referred to in Art.N1 (1) (c) must be notified to each Pension Fund Member at least six months before it takes effect.
- (2) The notification referred to in paragraph (1) must be provided in clear writing to each Member and a copy to the Agency. A notice to the same effect must be published in at least one national newspaper widely circulated in the Republic of Macedonia.
- (3) If a person enters into a provisional agreement as described in Art.G4 he must be first provided with a copy of any notification referred to at paragraph (1) which has or is due to be distributed to Members of that Pension Fund in relation to a forthcoming increase in fees. In such instance the provision of Art.N1(3) (a) shall not have effect in relation to that Member so far as the notified increase in fees is concerned.
- (4) A Pension Company may not increase the level of fees referred to in Art.N1 in relation to a Pension Fund it governs in the first ten years following the first receipt of contributions by anyone into that Pension Fund.

Art. N4

- (1) Brokerage fees related to the performance of transactions for the acquisition or transfer of a Pension Fund's assets shall be paid from the Pension Fund's assets.
- (2) It shall be incumbent on a Pension Company to ensure that any fees paid to brokers from any Pension Fund it governs are fully competitive with those charged by other brokers for similar transactions.

Art. N5

- (1) The Pension and Disability Insurance Fund of the Republic of Macedonia may levy fees for the functions it undertakes pursuant to this Law.
- (2) The fees referred to in paragraph 1 shall be determined by the Pension and Disability Insurance Fund of the Republic of Macedonia with a prior consent by the Government of the Republic of Macedonia as a proportion of the contributions paid to each Pension Fund.

- (3) The fees pursuant to this Article shall be covered by the governing Pension Company.
- (4) The fees levied on each Pension Fund pursuant to this Article shall be uniform for all Pension Funds and shall not exceed 1.2 % per annum.
- (5) The manner, the period for which such fees are paid and the timing of payments to the Pension and Disability Insurance Fund of the Republic of Macedonia shall be determined in regulations of the Agency.

Art. N6

All other costs relating to a Pension Fund not covered by fees, deductions or charges set out in this Law, shall be covered by the governing Pension Company.

CHAPTER 13

INVESTMENT OF PENSION FUNDS

Art. P1

- (1) The assets of a Pension Fund shall only be invested in accordance with the provisions of this Law and in order to maximize the return resulting from the investment solely for the benefit of Pension Fund Members subject to ensuring the following:
 - (a) the security of Pension Fund assets;
 - (b) diversity of investment risk;
 - (c) maintenance of adequate liquidity.
- (2) Investment in accordance with any other objectives shall constitute a serious breach of the obligations of a Pension Company.

Art. P2

- (1) Subject to the provisions of Arts. P3 and P4 the Pension Fund may only be invested in the following classes of assets:
 - (a) bank deposits with banks that are licensed by the National Bank of the Republic of Macedonia, provided that such accounts are interest bearing;
 - (b) bonds, bills and other securities issued or guaranteed by the National Bank of the Republic of Macedonia;
 - (c) certificates of deposit and other securities issued or guaranteed by banks that are licensed by the National Bank of the Republic of Macedonia;
 - (d) mortgage backed securities issued by banks that are licensed by the National Bank of the Republic of Macedonia;
 - (e) bonds, bills and other securities issued or guaranteed by the Republic of Macedonia
 - (f) shares issued on the grounds of approval from the Securities and Exchanges Commission of the Republic of Macedonia ,that such securities have been traded on the official market of the security stock exchange or other organized security markets in the Republic of Macedonia, controlled by the Securities and Exchanges Commission of the Republic of Macedonia;
 - (g) bonds and other securities issued by Macedonian joint stock companies issued on the grounds of approval from the Securities and Exchanges Commission of the Republic of Macedonia that such securities have been traded on the official market of the security stock exchange or other organized security markets in the Republic of Macedonia, controlled by the Securities and Exchanges Commission of the Republic of Macedonia;

- (h) commercial notes issued by first-class Macedonian joint stock companies;
 - (i) participation units and shares of Macedonian investment funds authorized to operate pursuant to the Law on Investment Funds;
 - (j) bonds, bills and other securities issued or authorized by foreign governments or central banks of a European Union country, Japan or the United States of America;
 - (k) bonds, bills and other fixed income securities with a minimum investment grade level rating by reputable international rating agencies of non-state foreign companies or banks of a European Union country, Japan or the United States of America;
 - (l) shares and securities with a minimum investment grade level rating by reputable international rating agencies traded on the primary stock exchange of a European Union country, Japan or the United States of America;
 - (m) participation units in, shares and other securities of foreign based authorized mutual and investment funds based in and approved in a European Union country, Japan or the United States of America and investing primarily in quoted equities in such countries;
 - (n) any other forms of investment specified in regulations of the Agency provided that such ordinance does not purport to permit any of the investments precluded by Art. P5, with a prior opinion of the Securities and Exchanges Commission of the Republic of Macedonia.
- (2) All trading in securities carried out with resources from the Pension Funds shall be carried out in formal secondary markets except that securities issued by any state and certificates of deposit notes issued by any bank may be acquired directly from the issuing institution, and participation units in or shares of any mutual or investment fund may be purchased directly from that fund or the managing company.
- (3) Investment of Pension Fund resources may only be made in assets which satisfy requirements set out in regulations of the Agency specifying:
- (a) requirements to be satisfied by formal secondary markets in which such Fund resources are traded;
 - (b) requirements to be met by shares, bonds bills and other securities into which Pension Fund resources are invested;
 - (c) countries or groups of countries into which Pension Fund resources may be invested.

Art. P3

- (1) The Agency shall by regulations specify the maximum proportion of any one company or asset which may be held by a Pension Fund, with a prior opinion of the Securities and Exchanges Commission of the Republic of Macedonia.
- (2) The Agency shall by regulations specify the maximum proportion of the assets of a Pension Fund which may be held in any one asset, with a prior opinion of the Securities and Exchanges Commission of the Republic of Macedonia.
- (3) The Agency may not specify the minimum proportion of a Pension Fund which must be held in any asset or class of assets.
- (4) The Agency may not lower the maximum amounts specified in paragraphs (1) and (2) and subject to paragraph (5), in Art.P4 except by giving notice addressed to all Pension Companies of at least one year.
- (5) The Agency may by regulations issued before the date of commencement of contribution payment in the mandatory fully funded pension insurance referred to in Article G1 paragraph 4 of this Law provide for limits on investments in particular classes of assets different to the ones set out in Article P4 but such different limits may only subsist for a temporary period from the date of commencement of contribution payment in the mandatory fully funded pension insurance referred to in Article G1 paragraph 4 of this Law, not exceeding five years with such period stated in the regulations.
- (6) To the extent that the Agency issues regulations of the type referred to in paragraph (5) such regulations may not be cancelled in whole or in part except by giving notice addressed to all Pension Companies of at least one year.

Art. P4

- (1) Investments in particular classes of assets referred to in Art. P2 paragraph (1) sub-paragraphs (a)-(o) shall be subject to the following restrictions:
 - (a) no more than 20% of the value of the assets of the Pension Fund may be invested in assets issued by a foreign issuer outside the Republic of Macedonia. Within this restriction no more than 5% of the Pension Fund asset value may be invested in assets given under P2 paragraph (1) (k) and no more than 5% of the Pension Fund asset value may be invested in assets given under P2 paragraph (1) (l) and (m);
 - (b) no more than 80% of the value of the assets of the Pension Fund may be invested in assets referred to in Art.P2 paragraph (1) (b) and (e);
 - (c) no more than 60% of the value of the assets of the Pension Fund may be invested in the assets referred to in Art. P2 paragraph (1) (a), (c) and (d).
 - (d) no more than 40% of the value of the assets of the Pension Fund may be invested in the assets referred to in Art P2 paragraph (1) (g) and (h).
 - (e) no more than 30% of the value of the assets of the Pension Fund may be invested in the assets referred to in Art P2 paragraph (1) (f).

- (f) no more than 20% of the value of the assets of the Pension Fund may be invested in the assets referred to in Art P2 paragraph (1) (i).

Art. P5

- (1) The assets of a Pension Fund may not be invested in:
 - (a) shares, bonds and other securities that are either unlisted or not publicly traded;
 - (b) assets which are not capable of alienation by law;
 - (c) physical assets which are not frequently quoted on organized markets and for which valuation is uncertain including, for the sake of example, antiques, works of art and motor vehicles;
 - (d) real estate or any interest in real estate with the exception of mortgage backed securities and indirect investment through mutual or investment funds;
 - (e) shares, bonds and other securities issued by:
 - i) any shareholder of the governing Pension Company;
 - ii) the Custodian of the Pension Fund;
 - iii) any person who is an Affiliated Person in relation to the entities listed at pt (i) and (ii) above;
 - (f) futures, options, forward contracts and other financial derivatives;
 - (g) such other assets specified by the Agency with a prior opinion of the Securities and Exchanges Commission of the Republic of Macedonia in which the investment of assets would be contrary to the interests of the Pension Funds members.

Art. P6

- (1) If the provisions of this Chapter are breached as a result of a change in market prices, changes in foreign currency rates, changes in organizational or economic relations between entities in which the Pension Fund is invested, any other circumstances beyond the immediate control of the governing Pension Company, then, subject to paragraph (2), the governing Pension Company must forthwith report this to the Agency and must cease further investment in the asset concerned and shall take measures to adjust its Pension Fund's investment activities to the requirements specified in the Law.
- (2) No action shall be required to correct a breach if it is caused by exceeding investment limits set out in this Chapter, any individual excess does not exceed the relevant limit by 20% and the sum of total excesses does not exceed 5% of the net asset value of the Pension Fund.

- (3) The adjustment of investment activities to the requirements specified in the Law shall be completed no later than six months after the date on which the breach occurred, or when a valuation of Pension Fund assets indicates that there had been such a violation, whichever of the above occurs first.
- (4) Upon the request of the governing Pension Company, submitted no later than thirty days after the date when a breach occurred or was ascertained, the Agency may agree, where it is justified by the need to protect the interests of Members, to extend the time limit referred to in paragraph (3) for a period of 6 months at most.

Art. P7

A Pension Company is prohibited from:

- (a) knowingly selling its Pension Fund's assets to itself, the Custodian holding its assets, any overseas asset manager of the Pension Fund, any person who is an Affiliated Person in relation to any of the entities listed above , except through an open market transaction on normal secondary markets
- b) purchasing assets or procuring that its Pension Fund purchases assets from any of the entities listed in sub-paragraph (a) except through an open market transaction on normal secondary markets;
- c) using its Pension Fund's assets to grant loans to or to provide guarantees to any entity.

Art. P8

- (1) The Pension Company, its shareholders, its Custodian, assets managers, members of its board of management, its supervisory board and any person, including Agency officials, who because of their job or position, have access to information regarding the investment of the Pension Fund's resources or any plans for investment where such information has not yet been released officially to the market, and is capable of affecting quotations of the values of such investments, must treat such information with the utmost confidentiality, as business secret.
- (2) Persons and entities referred to in the previous paragraph shall not make direct or indirect use of confidential information referred to in the previous paragraph in order to obtain advantages for themselves or others, apart from the Pension Fund, by buying or selling securities.
- (3) A Pension Company shall be obliged to compensate a Pension Fund that it manages for any direct harm that it, any of its directors, employees or service personnel may cause the Pension Fund as a consequence of breaches of the provisions of this Law and especially Art. P1-P11.

Art. P9

- (1) Subject to paragraph (2) a Pension Company must undertake the management of its Fund's assets and must not delegate any responsibility for this.
- (2) A Pension Company may delegate the management of its Pension Fund's foreign assets outside the Republic of Macedonia to a foreign based asset manager or managers which on the basis of laws of the relevant country are entitled to govern someone else's securities upon and which hold licenses of an appropriate domestic body for the conduct of such activities.
- (3) In the event referred to in paragraph (2), the by-laws of a Pension Company shall define the principal circumstances in which it delegates the management of the foreign assets of its Pension Fund.
- (4) The Pension Company shall notify the Agency of any change of foreign asset manager but shall not require its approval.
- (5) The Agency shall issue regulations on the delegation of the management of foreign assets to a foreign based asset manager.

Art. P10

- (1) A Pension Company may borrow money on behalf of the Pension Fund it governs for the exclusive purpose of enhancing the liquidity of the Pension Fund.
- (2) The total amount of money borrowed by a Pension Fund may not at any time exceed a percentage of the value of Fund assets, up to 5%, as specified by the Agency in regulations.

Art. P11

The Agency, with a prior consent of the Ministry of Labor and Social Policy may issue regulations providing for additional restrictions relating to investment, having regard to the protection of the interests of Pension Fund Members.

CHAPTER 14 THE CUSTODIAN

Art. Q1

- (1) A Pension Company shall appoint a single Custodian to whom it shall delegate responsibility for the keeping of the assets of the Pension Fund.
- (2) In the event that the Pension Fund has assets outside the Republic of Macedonia the Custodian shall appoint another custodian body to keep those assets which shall be a bank holding a current banking license from a country other than Macedonia or a specialist depository institution and in either case such body must, if required by relevant law hold any necessary authorizations for such activity in any market where it acts as custodian of a Pension Fund. Any sub-custodian so appointed in respect of assets outside the Republic of Macedonia must have an investment grade rating by reputable international rating agencies. The Agency shall regulate in details the criteria for the rating of sub-custodian.
- (3) All instruments representing Pension Fund Investments shall be held by a custodian.
- (4) A Custodian may act as such in relation to more than one Pension Fund but must keep the assets, operations and records of each Pension Fund strictly segregated from each other and from those of the Custodian.

Art. Q2

- (1) A Custodian of domestic assets may be a bank holding a current banking license issued by the National Bank of the Republic of Macedonia.
- (2) In order to provide custodian functions for the Pension Funds the Custodian must:
 - (a) have a minimum capital of 20,000,000 Euros in MK Denar counter value at the exchange rate of the National Bank of the Republic of Macedonia according to the definition on capital in the Banking Law ;
 - (b) not hold shares in the Pension Company managing the Pension Fund whose assets it holds or shares in an entity which is an Affiliated Person in relation to the Pension Company, and must not maintain any other capital relationship with those entities.;
 - (b) must not have any employees or members of its Board of Directors or Supervisory Board who are employees of or members of the Board of Directors or Supervisory Board of the Pension Company managing the Pension Fund which assets it keeps or who hold such positions in relation to Affiliated Persons of such Pension Company.

Art. Q3

- (1) A Custodian of a Pension Fund shall have the following functions:
 - (a) holding securely any securities which constitute assets of the Pension Fund;
 - (b) maintaining records of paperless securities which constitute assets of the Pension Fund;
 - (c) keeping settlement documents relating to the transfer of monetary funds to the bank accounts of the Pension Fund and issue of monetary funds from bank accounts of the Pension Fund;
 - (d) acting as clearing agent, buying and selling securities under the Pension Company's instructions and collecting payments of dividends, interest and all other cash flows related to Pension Fund investments;
 - (e) ensuring that agreements for the acquisition investment and disposal of Pension Fund assets are in accordance with the Law and, statute of the Pension Fund and any instructions of the Pension Company unless such instructions are contrary to the Law;
 - (f) liaison with and supervision of sub-Custodians; and
 - (g) payment and management of taxes.
- (2) Any remuneration of the Custodian shall be paid directly by the Pension Company from its own resources.

Art. Q4

- (1) A Custodian shall forthwith notify the Agency orally and then in writing if it becomes aware of or suspects any breach of a custody agreement to which it is a party, the Law or any action contrary to the interests of Pension Fund Members.
- (2) The obligation referred to in paragraph (1) shall apply both in respect of breaches and actions committed by the Pension Company governing the relevant Pension Fund or breaches and actions committed by any other party.
- (3) The custodian shall submit reports to the Agency relating to its activities on every six months or shorter time periods. The Agency shall in details regulate the time period, form and data that should be included in the reports.

Art. Q5

- (1) There shall at all times be in place a custody agreement between the Pension Company and the Custodian. This shall, mandatory, set out the following:
 - (a) the specific functions, duties and obligations of the Custodian including any responsibilities for registration and settlement;
 - (b) the extent of liability for sub-Custodians; and

- (c) the remuneration of the Custodian
- (2) An appointment of a Custodian and the agreement referred to in paragraph 1 of this Article shall be made with the prior written approval of the Agency.

Art. Q6

- (1) No agreement shall limit the Custodian's statutory responsibilities and any attempt to do so shall be null and void.
- (2) A Custodian shall be liable for damages incurred as a result of the non performance or incorrect performance of its responsibilities and such damages can not be covered from the assets of the Pension Fund
- (3) To the extent that a Custodian delegates any of its responsibilities in accordance with Art. Q1 (2) it cannot delegate the liability referred to at paragraph (2).
- (4) To the extent that a bank is a Custodian and it or its Affiliated Persons are shareholders of a Pension Company it must take appropriate measures to ensure maintenance of confidentiality.

Art. Q7

- (1) The period of notice of dissolution of a custody agreement may not be less than six months except in the circumstances specified in Art.Q8. A party giving notice shall do this in writing and immediately inform the Agency of this notice as well as reasons for dissolution of the contract.
- (2) The appointment of any new Custodian shall be done only upon prior approval in writing by the Agency and, in order to obtain such approval, the relevant Pension Company shall furnish the Agency with such information about the proposed Custodian as it may reasonably require.

Art. Q8

- (1) In the event of withdrawal of a Custodian's banking license by the National Bank of the Republic of Macedonia, or for non-performance or improper performance by a Custodian of the custodial agreement or where a Custodian has been made bankrupt or placed in liquidation:
 - (a) the relevant Pension Company shall forthwith serve notice to the Custodian to terminate the agreement and immediately notify the Agency of the fact;
 - (b) the Pension Company shall forthwith attempt to appoint a new Custodian as soon as possible and shall attempt to obtain approval from the Agency as soon as possible;
 - (c) if the Pension Company fails to take the steps at sub-paragraphs (a)-(b) the Agency may order it to change the Custodian or appoint a particular Custodian.

- (2) The Agency may also order the Pension Company to change the Custodian if the financial or organizational structure of the Custodian has deteriorated substantially thus posing a potential threat to the security of the assets kept in its custody.
- (3) The National Bank of Macedonia, and any other regulatory authority shall forthwith notify the Agency of any instance of material deterioration in the financial or organizational structure of a bank or specialist depository institution acting as a Custodian of which it is aware and which it considers could threaten the interests of Pension Fund Members. The scope, content and form of the notification shall be mutually regulated by the Agency and the National Bank of the Republic of Macedonia and other competent institutions.

Art. Q9

- (1) Each change of a Custodian shall be made in a manner which ensures continuous performance of custodial duties in respect of the Pension Fund assets.
- (2) Where a contract with a Custodian is dissolved, the Custodian shall release the Pension Fund assets in its custody and all documents relating to the performance of duties referred to in Art. Q3 to a new Custodian within a period agreed by the parties, but without undue delay and not exceeding 30 Business Days after the signing of a contract between the new Custodian and the Pension Company.

Art. Q10

Pension Fund assets deposited in accordance with the provisions of this Chapter may not be subject to execution against a Custodian, and shall not be a part of the assets of the Custodian to which the bankruptcy procedure applies, and shall not be covered by any settlement proceedings.

CHAPTER 15 GUARANTEES

Art. S1

- (1) The State Budget shall make a payment to a Pension Fund in the following cumulative circumstances:
 - (a) The assets of the Pension Fund are depleted by means of an act which appears to be criminal and to involve fraud or theft. For the avoidance of doubt this does not apply to the loss of value in the assets of the Pension Fund in the event of investment contrary to the provisions of this Law or to a loss caused by fraud or theft in an entity in whose securities the Pension Fund is invested;
 - (b) The assets of the governing Pension Company are insufficient to meet the depletion referred to in sub-paragraph (a).
 - (c) The Agency recommends in a report to the Minister of Finance that a payment be made and that in its opinion it is unlikely that the depletion will be made good within six months after the date of its recommendation and that the other requirements in this paragraph have been satisfied.
 - (d) The report referred to in sub-paragraph (c) shall be made publicly available no later than five Business Days after it is sent to the Minister of Finance.
- (2) It is not necessary for a person to have been convicted of a criminal act in order for a payment to be made pursuant to this Article.
- (3) In the event that all of the circumstances in paragraph (1) are satisfied the State Budget shall within forthwith following receipt of the report referred to at paragraph (1) (c) make a payment to the Pension Fund.
- (4) The amount paid to the Pension Fund shall be 80 % of the amount of the depletion as at the date or dates of depletion adjusted in line with the average performance of all Pension Funds calculated between the date or dates of depletion and the date of payment.
- (5) If the Agency recommends in a report pursuant to paragraph (1) (c) that payment be made in accordance with this Article no person may join the Pension Fund until the payment has been made and the provisions from Art.G1 to G5 shall be subject to this restriction.
- (6) Forthwith upon issuing the report referred to in paragraph (1) (c) the Agency shall notify each Member of the affected Pension Fund in writing that it is likely that a payment will be made and that it could be contrary to that person's interests to leave the Pension Fund until the payment is made.

Art. S2

- (1) In the event that a payment is made from the State Budget, the Agency shall first withdraw the approval for the Pension Company to manage the Pension Fund receiving the payment if it considers that the Pension Company was in any way culpable in relation to the loss.
- (2) In the event that a payment is made from the State Budget the Agency shall take all reasonable efforts to trace and recover any depleted assets and seek compensation and redress, whether from those directly responsible for the loss or from those who have received or benefited from such depleted assets.
- (3) To the extent that the Agency is able to trace and recover depleted assets or seek compensation or redress pursuant to paragraph 2 above, such money shall be used to repay any payment from the State Budget in an amount equal to the original payment from the State Budget increased by interest at the rate of the National Bank of the Republic of Macedonia as applicable from time to time. To the extent that there is any surplus money after repaying the State Budget, it shall be paid to the Pension Fund which had its assets depleted provided that the Pension Fund is still in existence and has Fund Members. If the Pension Fund is no longer in existence or does not have any Fund Members, then such excess amount shall also be paid to the State Budget.
- (4) The Agency shall issue regulations on the manner and terms of repayment of assets to the State Budget.
- (5) In the event that a payment is due to be made from the State Budget and the Pension Company governing the Pension Fund in question does not have its approval to manage a Pension Fund withdrawn the Pension Company shall first assign to the Agency its rights to take legal action in relation to the depletion. Failure to do so promptly shall result in its license being withdrawn.

CHAPTER 16
PENALTIES
a) CRIMES

Art.T1

- (1) Person in charge in a Pension Company who with false presenting or covering up facts, with misleading and on another illegal way affected a decision in the Company for illegal using or investing the fund assets to be made, and because of that, a damage on the fund assets will be caused, shall be punished with prison from one to five years.
- (2) If, because of the act referred to in paragraph (1) of this article, damage on the fund assets of big proportion has been made, the perpetrator will be punished with prison from one to ten years.

Art. T2

- (1) Person in charge in a Custodian, who with failing to carry out or irregular carrying out its legal duties for security saving valuable papers which are assets of a fund, caused damage on that assets will be punished with prison to three years.
- (2) With penalty referred to in paragraph (1) of this article will be punished a person in charge in a Custodian who shall permit realization of a contract for investment transaction of the fund assets knowing that it is illegal and because of that has been made damage on that assets;
- (3) If, because of the act referred to in paragraph (1) of this article, damage on the fund assets of big proportion has been made, the perpetrator will be punished with prison from one to five years.

Art. T3

Person in charge in a Pension Company or other company who undertakes activities related to obligatory capital financial pension insurance, with passing over or failing to carry out of its authorizations shall violate, deprive or limit right of fund member which belongs to him according a law, will be punished with fine penalty or prison to three years.

a) BREACHES

Art. T4

- (1) A fine equivalent to 100.000 to 300.000 Denars shall be levied for a breach committed by a Pension Company in case of:
 1. Carrying on of business not covered by Art. B3 (1);

2. Establishes more than one fund in first ten years after the date of commencement of contribution payment in the mandatory fully funded pension insurance referred to in Article G1 paragraph 4 of this Law year contrary to Art. B3(2);
3. Failing to increase share capital as required by Art. B6 (2);
4. Not paying up capital in proper way as required by Art. B7;
5. The founded capital of a Pension Company derives from sources which are not allowed in Art. B8 (1) and (2);
6. Not maintaining or increasing paid up capital pursuant to Art. B9;
7. Fails to bring into conformity in a period of six months pursuant to Art. B10 (5);
8. Not applying for a prior consent for transaction of shares pursuant to Art. B12 (1);
9. Purchases share of another Pension Company or are reorganized contrary to Art. 16 (5) and (6);
10. Uses own assets for purposes prohibited with Art. B16;
11. Fails to fulfill the requirements of Art. B17;
12. Fails to appoint external authorized auditor of good repute pursuant to Art. B18;
13. Makes changes without obtaining prior approval from the Agency pursuant to Art. C15;
14. Refuses to provide access to business books, documents and other records to an authorized person conducting an inspection on behalf of the Agency pursuant to Art. F8 (3);
15. Fails to fulfill the obligations required by Art. G6 (1) and (3);
16. Fails to transfer the assets from the account of the fund member who acquire disability pension, into the Pension and Disability Insurance Fund of Macedonia, pursuant to Art. G8;
17. Fails to fulfill its obligations in a case of death of a fund member, required by Art. G9;
18. The assets from the account of fund member deposits into pledge assign or transfer for the benefit of another person, contrary to the provisions of Art. G10;

19. Gives or disclosures wrong information for the fund which could mislead the present or the future fund members or statements and forecasts for future investment results of a Fund pursuant to Art. I2;
20. Markets a fund to an individual at his work place contrary to Art. I3;
21. Uses any activities to market a pension fund, prohibited by Art. I6;
22. Fails to credit contributions, transfer payments and investment return to individual accounts of the members of the pension funds and fails to make record pursuant to Art. J1;
23. Fails to convert contributions and transfer payments into accounting units as provided in Art. J2;
24. Value fund assets contrary to the rules contained in Art. J3;
25. Fails to calculate net assets of the fund and the value of the accounting unite on each date of value, pursuant to Art. J5;
26. Fails to calculate the return of the pension fund it manages as required by Art. J6;
27. Fails to respect the requires in accordance with publishing, contained in Art. M1 (1), (2), (3) and (4);
28. Fails to provide view in the information prospectus and in the Statute of the fund to every person who will apply for a membership in the fund or to its member, contrary to Art. M1 (5) and (6);
29. Fails to fulfill the obligation for regular information to the fund members pursuant to Art. M2;
30. Fails to submit the information and data to the Agency and to the Pension and Disability Insurance Fund or provide false or information and data, as required by Art. M3 and M4;
31. Imposes fees in a manner or of an amount, other than prescribed by Art. N1 and N2;
32. Fails to notify the Agency and the all fund members any changes in the level of fees on a way and in the time limits provided in Art. N3,;
33. Fails to ensure complete concurrence of fees paid to brokers, pursuant to Art. N4;
34. Reimburses expenses contrary to Art. N6
35. Investing fund assets contrary to the principals, purposes, instruments and limits provided by Art. P1- P6;

36. Purchases, sells or uses assets contrary limits provided by Art. P7;
 37. Delegates assets management or responsibility for that, contrary to Art. P9;
 38. Borrowing money contrary to the purposes and limits specified in Art. P10;
 39. Failing to appoint custodian to keep the assets of the fund and not have continuously an agreement with the custodian pursuant to Art. Q1 (1) and (2) and Art. Q5.
 40. Appointed Custodian not fulfills requirements provided by Art. Q2.
 41. Fails to inform the Agency for the intention to cancel the agreement with the custodian pursuant to Art. Q7.
 42. Not fulfill obligations provided by Art. Q3 (1) (a) (b) and (2);
 43. Not ensure permanently custody services of the fund assets, pursuant to Art. Q9 (1);
 44. Fails to delegate its rights for legal proceeding to the Agency, pursuant to Art. S2.
- (2) If, with the breach referred to in paragraph (1) of this article, bigger property profit is benefited or bigger property damage is caused, the Pension Company can be fined up to twenty times amount from the benefited profit or caused damage.
 - (3) Additionally to the fine referred to in paragraph (1) of this article to the Pension Company can be imposed security measure prohibition acting management of pension fund for a period to five years and for breach referred to in paragraph (2) of this article or in case of repetitive breach this measure is obligatory imposed.
 - (4) A fine equivalent to 30,000 to 50,000 Denars shall be levied for a breach referred to in paragraph (1) of this article to a person in charge of the Pension Company, as well.
 - (5) If the breach referred to in paragraph (1) is committed with theft as a motive, the person in charge of the Pension Company can be fined to double amount of the maximum prescribed fine in paragraph (4) of this article.
 - (6) Additionally to the fine referred to in paragraph (4) and (5) of this article, to the person in charge can be imposed security measure prohibition acting general

manager, manager, member of the Management or Supervisory Board in a Pension Company for a period to one year.

Art. T5

- (1) A fine equivalent from 50.000 to 200.000 denars shall be levied for a breach committed by a Pension Company in case of:
 1. Fails to proceed according to the requirements prescribed by C14
 2. Fails to provide a copy of the membership agreement to the member and failing to notify the Pension and Disability Insurance Fund of Macedonia, pursuant to Art. G2 (5);
 3. Refuse a membership to an insurer who fulfills the requirements prescribed by Pension and Disability Insurance Law, pursuant to Art. G2 (7);
 4. Fails to forward to the Pension and Disability Insurance Fund of Macedonia the provisional agreement within time period provided in Art. G4 (1);
 5. Fails to insure rights to a fund member who has ceased contributions in the fund before its retirement, pursuant to Art. G7;
 6. Entering into a membership agreement or provisional agreement with person other than through an agent as required by Art. I4 (1);
 7. Undertakes internal accounting contrary to the relevant Macedonian laws and international accounting standards as required by Art. J8;
 8. Proceed contrary to Art. S1 (5).
- (2) If, with the breach referred to in paragraph (1) of this article, bigger property profit is benefited or bigger property damage is caused, the Pension Company can be fined up to ten times amount from the benefited profit or caused damage.
- (3) Additionally to the fine referred to in paragraph (1) of this article to the Pension Company can be imposed security measure prohibition acting management of pension fund for a period to three years and for breach referred to in paragraph (2) of this article or in case of repetitive breach this measure is obligatory imposed.
- (4) A fine equivalent to 10,000 to 30,000 Denars will be levied for a breach referred to in paragraph (1) of this article to a person in charge of the Pension Company, as well.

- (5) If the breach referred to in paragraph (1) is committed with theft as a motive, the person in charge can be fined to double amount of the maximum prescribed fine in paragraph (4) of this article.
- (6) Additionally to the fine referred to in paragraph (4) and (5) of this article, to the person in charge can be imposed security measure prohibition acting general manager, manager, member of the Management or Supervisory Board in a Pension Company for a period to one year.

Art. T6

(1) A fine equivalent to 100,000 to 300,000 Denars shall be levied for a breach committed by a Custodian in case of:

1. Failing to keep the assets, operations and records of funds detail for each fund strictly segregated from each other and those of the custodian as required by Art. Q1 (4);
 2. Failing to comply with the requirements of Art. Q2;
 3. Failing to undertake the functions specified in Art. Q3;
 4. Refuses to provide access to business books, documents and other records to an authorized person conducting an inspection on behalf of the Agency pursuant to Art. F8 (3);
 5. Fails to notify the Agency of any breaches of the contract for custody, the law or actions contrary to the interest of fund members done by a pension company or any other entity pursuant to Art. Q4;
 6. Covers damages from the fund assets, contrary to Art. Q(2);
 7. Fails to insure complete confidence of the data, pursuant to Art. Q6(4)
 8. Fails to inform the Agency for the intention to cancel the agreement with the custodian pursuant to Art. Q7.
 9. In case of dissolution of the custody agreement fails to fulfill the obligations provided by Art. Q9 (2);
- (2) If, with the breach referred to in paragraph (1) of this article, bigger property profit is benefited or bigger property damage is caused, the Custodian can be fined up to twenty times amount from the benefited profit or caused damage.
 - (3) Additionally to the fine referred to in paragraph (1) of this article to the Custodian can be imposed security measure prohibition acting custody for a period to five years and for breach referred to in paragraph (2) of this article or in case of repetitive breach this measure is obligatory imposed.

- (4) A fine equivalent to 30,000 to 50,000 denars will be levied for a breach referred to in paragraph (1) of this article to a person in charge of the Custodian, as well.
- (5) If the breach referred to in paragraph (1) is committed with theft as a motive, the person in charge in The Custodian can be fined to double amount of the maximum prescribed fine in paragraph (4) of this article.
- (6) Additionally to the fine referred to in paragraph (4) and (5) of this article, to the person in charge can be imposed security measure prohibition acting general manager, manager, member of the Management or Supervisory Board in a Custodian for a period to one year.

Art.T7

- (1) A fine equivalent to (from) 100.000 to 300.000 Denars will be levied for a breach committed by Pension and Disability Insurance Fund of Macedonia in case of:
 - 1. Fails to transfer contributions in the pension funds chosen from members, in percents and time limits specified in Art. G3 and H1 (1) (c);
 - 2. Fails to fulfill the obligations provided by Art. G11 (1) and (2);
 - 3. Fails to submit to the Pension Companies data about the payment of contributions, pursuant to Art. H1 (1) (d);
- (2) A fine equivalent to 30,000 to 50,000 Denars will be levied for a breach referred to in paragraph (1) of this article to a person in charge of the Pension and Disability Insurance Fund of Macedonia, as well.

Art. T8

- (1) A fine equivalent to 30,000 to 50,000 Denars shall be levied for a breach committed by person in charge of the Agency in case of holding other positions contrary to Art. F7.
- (2) Additionally to the fine referred to in paragraph (1) of this article, to the person in charge can be imposed security measure prohibition acting person in charge in the Agency for a period of one year.

Art. T9

- (1) A fine equivalent to 100,000 to 300,000 Denars will be levied for a breach committed by an entity that has applied on public tender and knowingly submitted false information in an application for a license contrary to Art. C7.
- (2) A fine equivalent to 30,000 to 50,000 Denars will be levied for a breach referred to in paragraph (1) of this article to a person in charge of the entity that has applied on a public tender, as well.

Art. T10

A fine equivalent to 30,000 to 50,000 denars will be levied for a breach committed by a physical person in case of:

1. Being a member of more than one fund, contrary to Art. G2 (8), except in cases permitted by Art G2 (9).
2. As an agent of a Pension Company fails to keep by the obligations and limits required by Art. I4 (2 - 5) and by Art. I5 (1) and (2).

CHAPTER 17
TRANSITIONAL AND FINAL PROVISIONS

Art. U1

- (1) The Agency shall commence its operations beginning from the day of the appointment of the Chairman.
- (2) The Government of the Republic of Macedonia shall appoint the Chairman, the Deputy Chairman within 30 days of this law coming into force.
- (3) The Government of the Republic of Macedonia shall appoint the members of the Management Board within 60 days of this law coming into force.
- (4) The Agency shall adopt by-laws within 30 days of appointment of the members of the Management Board.
- (5) The Agency shall prepare the key Regulations on the application of this law, within 180 days after the commencing of the Agency.

Art. U2

Contributors who are entering the mandatory pension and disability insurance for the first time after January 1, 2003 and before the date referred to in Article G1 paragraph (4) of this Law, must become members of a pension fund within 3 months from the date stipulated in Article G1 paragraph (4) of this Law.

Art. U3

All contributors who were covered by mandatory pension and disability insurance before 1st January 2003 and in the period who after January 1, 2003 were not covered by that insurance may join a Pension Fund within 3 months after their re-entrance into the mandatory pension and disability insurance.

Art. U2

This Law shall come into force the 8th day of publishing in the “Official Gazette of Republic of Macedonia”.