

INSTRUCTION CPO/B-2000/7
CREDITS TO EMPLOYEES OF BANKS

I. AUTHORITY

This instruction is issued by the Central Payments Office of East Timor (hereinafter, “CPO”) pursuant to Section 30 of Regulation No. 2000/8 on Bank Licensing and Supervision (hereinafter, the “Regulation”). This instruction applies to all employees of a bank except for those persons who are “Related Persons” of a bank, as that term is defined in Section 29.2 of the Regulation, or who are otherwise subject to the CPO’s *Instruction on Transactions with Related Persons, Related Banks and Financial Institutions, and Affiliates*.

II. REQUIREMENTS

The Board of Governors of each bank shall adopt, and ensure that senior management implements, a written policy covering the provision of credits and any other financial assistance to, or for the benefit of, its employees. Processes should be established within the bank to allow the Board of Governors to monitor compliance with the policy. The Board of Governors shall review the policy on at least an annual basis. The policy, at a minimum, shall:

- impose strict and binding limits on credits and other financial assistance to employees, which do not exceed the limitations contained in this instruction;
- prohibit the bank from providing preferential treatment to employees which are not specifically addressed in the bank’s written policy statement; and
- prohibit the altering of the bank’s credit-granting criteria, credit collection efforts, or any of the bank’s other credit administration policies and procedures, to accommodate employees.

III. LIMITATIONS

- A. A bank shall not grant credits to employees at rates which are below the bank’s composite average cost of funds.
- B. A bank shall not provide any financial assistance to employees at a cost which is less than the cost to the bank or which would result in a loss to the bank.

26 December 2000

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