

INSTRUCTION CPO/B-2000/4 QUALIFICATIONS OF ADMINISTRATORS

I. AUTHORITY

This instruction is issued by the Central Payments Office of East Timor (hereinafter, “CPO”) pursuant to Section 17 of Regulation No. 2000/8 on Bank Licensing and Supervision (hereinafter, the “Regulation”).

II. DEFINITIONS

- A. **Administrator** - In accordance with Section 49(a) of the Regulation, an administrator of a bank is any person who is an officer of the bank including any member of the Governing Board or the Audit Committee and further including any person who alone or together with one or more others has the authority to enter into commitments for the account of the bank. For purposes of this instruction, administrators shall be deemed to include (but not limited to) the following: President, Vice President(s), Chief Accountant, Chief Lending Officer, Treasury Officer (and/or their equivalents), and other senior management officials of the bank who are authorized to obligate the bank.
- B. **Audit Committee** - An independent committee of the bank which establishes and supervises compliance with appropriate accounting procedures and controls and which provides oversight of the bank’s internal and external audit functions.
- C. **Board of Governors** - The highest supervisory body of a bank which is responsible for (1) establishing the strategic objectives of the bank, policies for the operations of the bank, and the setting of corporate values; (2) communicating these objectives, policies and values throughout the banking organization; (3) supervising their implementation; and (4) setting and enforcing clear lines of responsibility and accountability throughout the bank.
- D. **Juridical Person** - A company, partnership, association, or group of persons acting together with a common purpose, whether or not organized as a formal business entity. (Reference Section 49(q) of the Regulation.)

III. QUALIFICATIONS OF ADMINISTRATORS

- A. All persons elected or appointed as administrators of a bank must be of good repute and must meet the following criteria prescribed by the CPO regarding qualifications, experience and integrity:
 - 1. a University degree;
 - 2. held progressively responsible positions in his/her career;

3. no evidence of any financial or administrative problems at his/her previous work;
4. no evidence of financial fraud, tax avoidance, or default on indebtedness;
5. free from criminal proceedings;
6. no civil proceedings pending that are not in the normal course of business and are not a poor reflection on his/her personal or professional integrity;
7. no money judgments, either pending or final and unpaid;
8.
 - a. for officers and senior management officials - at least three years of previous managerial experience in a financial institution of comparable size and type;
 - b. for the chief accountant (or similar position) - knowledge of, and practical experience with, International Accounting Standards;
 - c. for members of the Board of Governors - experience in administrative positions in the economic or financial field;
 - d. for members of the Audit Committee - experience in auditing, accounting, and/or banking;
9. never been involved as a principal shareholder, a member of the board of governors, or an officer or senior management official, of:
 - a. a "problem bank," that is, a bank with a formal enforcement action currently in effect or pending from the CPO or the home country supervisor, or
 - b. a bank for which a receiver, conservator, liquidator, or similar official has been appointed.

In the case of an officer or senior management official, the abovementioned criteria (9a and 9b) shall not apply to those persons for whom it can be proven to the satisfaction of the CPO that they had no direct responsibility for the cause of the bank's problems.

10. not been deprived by law of the right to sit on the governing board of a juridical person;
11. not currently serving nor has served at any time during the immediately preceding twelve (12) month period, as the Comptroller of the CPO or on the management of the CPO;
12. never been convicted of a crime;

13. the CPO has not determined that the person has been a party to a transaction that violates the Regulation or an instruction issued under it;
 14. not been subject to an insolvency proceeding as a debtor;
- B. Waiver of criteria prescribed by the CPO regarding qualifications, experience and integrity of banks' administrators:
1. The criteria listed in Section III.A., items 10 through 14, above, may not be waived.
 2. Application for waiver of one or more of the criteria listed in section III.A., items 1 through 9, above, may be made in writing for good cause to the CPO. The application shall:
 - a. contain all relevant personnel data of the proposed administrator including the information listed in Section IV.A., items 2 through 7 below;
 - b. identify the specific criteria not met by the candidate for the position of administrator in the bank; and
 - c. state the justification of the Board of Governors for seeking such waiver by the CPO.

IV. PROCESS FOR OBTAINING CPO APPROVAL OF MEMBERS OF GOVERNING BOARD

- A. Pursuant to Section 17 of the Regulation, prior to their assuming office, the CPO must approve members of the Governing Board. In order to receive the CPO's approval for the appointment of an administrator, the following information shall be submitted in writing to the CPO:
1. A certified copy of the decision taken by the general meeting of shareholders of the bank on the appointment of the candidate to the Board of Governors which shall specifically state that the appointment is subject to the written approval of the CPO and that the candidate shall not act in the said capacity until CPO approval has been received.
 2. name and residence address of the appointed administrator;
 3. country identification number or passport number and data;
 4. business and/or professional activity for the past ten years, included in a detailed *curriculum vitae*;
 5. information as to whether the candidate is, or has ever been, a principal shareholder or administrator in any bank located anywhere in the world;

6. membership in companies, partnerships, associations, and groups of persons acting together with a common purpose, whether or not organized as a formal business entity; and
 7. complete information on all related persons and affiliates.
- B. Within 30 days from the date that the CPO receives a written request from a bank accompanied by all required information, the CPO shall either approve or deny the candidate.
- C. Failure to comply with the provisions of the Regulation or this instruction, or the submission of false, misleading, or insufficient information will be grounds for withholding or denying CPO approval.

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Elias M. Costa
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