

**INSTRUCTION CPO/B-2001/3**  
**NOTIFICATION OF TERMS AND CONDITIONS OF DEPOSIT AND CREDITS**

**I. AUTHORITY**

This instruction is issued by the Central Payments Office of East Timor (hereinafter, “CPO”) pursuant to Section 2.5 and 28 of Regulation No. 2000/8 on Bank Licensing and Supervision (hereinafter, “Regulation”). This instruction applies to each bank and each branch of a foreign bank licensed to operate in East Timor in accordance with Section 2.1 and 2.4 of the Regulation (referred collectively in this instruction as bank’s).

**II. DEFINITIONS**

- A. **Credit** is defined in Section 49(g) of the Regulation.
- B. **Compound Annual Rate of Interest** is the annualized rate of return on a deposit, which includes the interest, paid both on the principal and on the interest accrued to the date of the interest calculation.
- C. **Deposit** is defined in Section 49(j) of the Regulation.
- D. **Effective Interest Rate** is the return implicit in the credit, that is, the interest rate required to discount the contractual cash flows over the term of the credit to an amount that equals the cost of the credit. For this purpose, the contractual interest rate generally is adjusted for any net deferred fees or cost that are similar in nature to interest (for example, are calculated on a time basis or by reference to the amount of the credit) and any discount or premium existing at the origination or acquisition of the credit.

**III. REQUIREMENTS**

Each bank shall regularly notify its customers of the precise nature of the business of the bank, and of terms and conditions associated with the deposits made and credits received by them, including the compound annual rate of interest, in accordance with this instruction.

- A. **Business of the Bank** – A certified copy of the bank’s license, along with the financial activities permitted in accordance with the bank’s authorized license level, shall be posted in a conspicuous location available for viewing by the public in each office of the bank (the head office and each branch).
- B. **Terms and Conditions Associated with Deposits and Credits** – Public disclosure must be made of all the types, terms, and conditions of deposits and credits currently offered by the bank. The public in each office of the bank shall post this information in a conspicuous location available for viewing. Information shall be presented in the official language of the CPO, and any other language at the option of the bank. Copies of this information

must also be available to members of the public upon request. Banks may charge a nominal fee for this information which shall not exceed the cost of reproduction.

At a minimum, and as applicable, the following information must be disclosed.

**1. For deposit**

- X. Types;
- X. stated rates of interest, method of computation, and frequency of interest payments;
- X. term to maturity if not payable on demand;
- X. Effective Compound Annual Rate of Interest, for all deposit other than those on which a simple rate of interest is paid;
- X. minimum deposit amount;
- X. any service charges or other fees associated with the account; and
- X. interest forfeiture in the event funds are withdrawn before the end of the specified term.

**2. For credits**

- X. types, including a summary of the main characteristic of each type of credit offered, and any limitations on loan availability (such as, geographic limits, limitations per type of loan);
- X. terms of repayment, and for long-term loans, the maximum number of months over which loans may be amortized;
- X. collateral requirements;
- X. list of all known and reasonably expected charges, such as application fees, commitment fees, loan fees, commissions, discounts, services fees or other carrying charge;
- X. stated interest rate and Effective Interest Rate;
- X. financial and other information required of the borrower.

C. Disclosures of terms and conditions associated with deposits and credits must be accurate representations of the current policies of the bank as approved by the Governing Board.

**IV. RESTRICTIONS**

Pursuant to Section 2.5 of the Regulation, no person shall make a misstatement of material fact or false representation or do anything to create a false appearance or engage in any manipulative device or practice in relation to taking of deposits.

**11 April 2001**

**Fernando De Peralto, General Manager**