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## **BANKING COMMISSION**

**P.O. Box 1408**

**Majuro, Marshall Islands 96960**

**PHONE: (692) 625-6310**

**FAX: (692) 625-6309**

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# ***INSTRUCTIONS AND REPORTING FORMS 11***

**EXPOSURES TO SHAREHOLDERS, DIRECTORS, MANAGERS AND  
RELATED PERSON(S)**

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### **PURPOSE**

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For the stability of banks and the banking system, it is important that a bank's risk management is not compromised by the extension of credit to parties such as a bank Director, Manager or Shareholder who may use their influence to obtain credit for themselves or related interests. All such exposures should be based on normal banking principles i.e. a bank will be expected to subject the financial position of a client reported on this form to as close a scrutiny as it would in the case of an unrelated customer. The terms and conditions of such loans will be expected to be on an "arms length" basis i.e. the maturity and interest rate will be expected to be the same as for an unrelated client with the exception of bank Managers whose terms of employment include access to prior agreed concessional rates.

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### **STATUTORY REFERENCE**

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Under Section 137 (1), the Commissioner is obligated to notify banks in writing of regulatory reporting requirements intended to strengthen supervision of the RMI banks.

Instruction 11 represents the official reference source applicable for the Exposures to Shareholders, Directors, Managers and Related Person(s) return, for use by bank personnel with responsibility for regulatory reporting.

Banks that fail to submit timely and accurate Exposures to Shareholder, Directors, Managers and Related Person(s) returns may be subject to fines under Section 137 (3).

Under Section 130 (1) (b), the extension of unsecured credit to shareholders, directors, managers and related person (s) cannot exceed 2% of the unimpaired paid-up capital and surplus of the bank or \$25,000, whichever is greater.

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**FREQUENCY/SUBMISSION DATE**

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All licensed banks are required to submit the Exposures to Shareholders, Directors, Managers and Related Person(s) return within 30 days after the last business day of each month.

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**RECEIPIENT**

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Banking Commission, MIDB Building, Floor 5 Room 501, Majuro.

Phone: (692) 625-6310; Fax: (692) 625-6309; E-mail: bankcomm@ntamar.net

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**SIGNING AUTHORITY**

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The Senior RMI Officer of the institution concerned, or in his absence a designated officer must sign the completed return, to certify the accuracy of the information submitted.

**INSTRUCTIONS 11**  
**EXPOSURES TO SHAREHOLDERS,**  
**DIRECTORS, MANAGERS AND RELATED**  
**PERSON(S)**

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**GENERAL DEFINITIONS**

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Instruction 11 represents the general reference source for the Monthly Exposures to Shareholders, Directors, Managers and Related Person(s) return.

All forms of exposure of a bank, direct (e.g. through a loan, advance, overdraft, lease of equipment) or indirect (e.g. through the customer's guarantee of a third party, documentary letter of credit, or contingent item), to:

- (i) shareholders and their related interests who exercise power over 10% or more of the bank's voting stock;
- (ii) directors of the bank and their related interests; and
- (iii) managers and their related interests

should be captured on this form.

List the exposures of the bank in descending order of total exposures.

The Banking Commissioner reserves the right to require particular exposures to be reported on this form.

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**SPECIFIC DEFINITIONS**

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Report in Column 10 the amount of cash pledged by the Shareholder, Director, Manager and their related entities together with the bank's best estimate of the valuation of other security.

BANKING COMMISSION

JUNE 2007