

December, created the Microfi(t)9,led

, approving

the respective Statutes, in annex.

Thus, the National Bank of Commerce of Timor-Leste, SA (BNCTL), succeeded the Institute of Microfinance of Timor-Leste in “its legal personality, assuming the universality of its assets, rights and obligations”, having been created “ in order to reduce poverty and favor the development of economic activities ”, particularly in rural areas.

Over these years, under the BPA/B05/2011 bank license, BNCTL expanded its network of facilities throughout the national territory, implemented a new banking system software that follows the highest international standards and allowed the creation of its own network of automatic teller machines (ATM) and payment terminals (POS), thus contributing to the generalization of access to services among the population of the entire territory, and deserved successive increases in social capital by the State, which reflect the investment it intends to see made in the promotion of economic activities and the role it intends BNCTL to play.

Seven years after its creation, it appears that BNCTL suffers from several internal and external constraints, needing to adapt its regime, statutes and structure to the evolution of the requirements of the State's financial activity and the Timorese legal system.

Right away, the recent entry into force of Law No. 10/2017, of 17 May, which approves the New Commercial Companies Law, and Decree-Law No. 16/2017, of 17 May, which approves the new regime of Commercial Registry, impose the adaptation of the BNCTL Statutes to this new legal framework of commercial companies.

On the other hand, it was found that the current structure of BNCTL's governing bodies, in particular its Board of Directors, can approximate international practices of good governance of financial companies, favoring the separation of supervisory and operational management functions and the functioning of independent internal control mechanisms. The current structure of BNCTL's governing bodies has hindered its recognition by foreign banks as a trustworthy correspondent entity and, thus, hampered the internationalization of its banking operations.

The opportunity of legislative intervention is also taken to revise the incompatibility regime of the members of the governing bodies. This regime includes the President of the Authority of the Special Administrative ra

are excluded from that regime, as they constitute disproportionate constraints on the constitutional rights of dignity to participate politically.

In conclusion, in addition to the revision, in due course, of the incompatibility regime for members of the governing bodies, the present legal diploma amends Decree-Law No. 3/2011, of 26 January, and the BNCTL Statutes attached to it, adapting them to the new legal framework of commercial companies, namely Law No. 10/2017, of 17 May, which approves the New Law of Commercial Companies, and Decree-Law No. 16/2017, of 17 May, which approves the new Commercial Registry regime. It also introduces a new corporate structure in the BNCTL Statutes, in accordance with international practices in the financial sector, dividing the Board of Directors between executive and non-executive directors with a clear separation of competences and responsibilities. In this way, the intention is to implement a competent and efficient executive management, in charge of professional and experienced executive directors in the banking sector, maintaining a strategic vision of the Bank at the service of the best interests of the Timorese People, in charge of the non-executive Board of Directors.

The Central Bank of Timor-Leste was given prior notice of the amendment to the said statutes, and the respective written consent was obtained.

Thus, the Government decrees, under the terms of points e) and i) of paragraph 1 of article 115 of the Constitution of the Republic, to be enforced as law, the following:

Article 1

Object

This legal diploma approves the first amendment to Decree-Law No. 3/2011, of 26 January, which transforms the Microfinance Institute into a Public Limited Company, and to the By-Laws of the National Bank of Commerce of Timor-Leste, SA (BNCTL), in the attachment.

Article 2

Amendment to Decree-Law no. 3/2011, of 26 January

Articles 5, 7, 8 and 11 of Decree-Law no. 3/2011, of 26 January, are amended, and replaced by the following texts:

"Article 5

(...)

1. The share capital, already fully paid up, is US \$ 22,500,000.00 (twenty-two million and five hundred thousand).
2. (...)
3. (...)

Article 7

(...)

1. (...)
 - a) (...)
 - b) (...)
 - c) (...)
 - d) (...)
 - e) Any legal person in which any of the directors or shareholders is a spouse, ascending or descending in any degree or collateral up to the second degree, including persons linked by adoption, a director or

member of the Fiscal Council or a manager with the right or power to individually or jointly compel BNCTL, SA.

2. (...)

Article 8
Remuneration of corporate bodies

Without prejudice to the provisions of the legislation applicable to banks, the remuneration policy for the members of the governing bodies is determined by corporate resolution, following a proposal by the Appointments, Evaluation and Remuneration Committee, which must take into account, among others, financial sustainability criteria, medium and long-term interests of BNCTL, SA, and not encouraging excessive risk-taking.

Article 11
(...)

BNCTL, S.A., must publish on its official website and make available to the public, in both official languages and in English, updated information on the following data:

- a) (...)
- b) (...)
- c) (...)
- d) (...)
- e) (...)
- f) (...)
- g) (...)

h) The remuneration policy of the governing bodies.”

Article 3

Approved by the Council of Ministers on February 13, 2019.

The Prime Minister,

ATTACHMENT

Republication of Decree-Law no. 3/2011, of 26 January

DECREE-LAW No. 3/2011, of January 26

TRANSFORMS THE MICRO-FINANCE INSTITUTE INTO PUBLIC CAPITAL SOCIETY

DECREE-LAW No. 3/2011

of 26 January 2011

**CONVERTING THE MICROFINANCE INSTITUTION INTO A
PUBLIC INCORPORATED COMPANY**

The publication of the present decree-law reflects Government's commitment to offer credit lines to East Timor's population as a means of

4. The sanctions foreseen by the legislation applicable to bank activity shall apply to the administrative offenses and infringements foreseen by the present statute.
5. Without detriment to what is prescribed by the legislation applicable to bank institutions, the Central Bank may set rules, instructions and guidelines and execute such acts as it may consider appropriate in order to fulfill its competences and responsibilities in terms of the present statute.

Article 3
Succession

East Timor's Microfinance Institution is succeeded by BNCTL, S.A., which carries on with the former's

4. The members of the governing bodies may not enter into, during the exercise of their respective mandates, any employment or service provision contracts with BNCTL, SA, which shall be in force after termination of their functions, except by means of a joint and reasoned order of the members of the Government responsible for the areas of finance and economic development, taking into account their need or convenience.

Article 8-B

Disclosure of personal and financial interests

- 1.

Article 10
Duty of information

1. Without detriment to what is prescribed by the law on trading companies as for the rendering of information to stockholders, the BNCTL, S.A. shall submit the following items to the Central Bank, the Government members responsible for the finance and the economic development areas and the National Parliament:
 - a) A faithful and accurate summary of its quarterly balance sheet, within the deadline of 30 days from the end of each quarter;
 - b) A faithful and accurate summary of its annual balance sheet, within the deadline of four months from the end of each accounting period;
 - c) The audit judgment of the audit organ on the previous accounting period, within the deadline of four months from the end of each accounting period; and
 - d) The annual report, within the deadline of five days from its publication.
2. The documents referred to in the previous number must be drawn up so as to allow the identification of any financial flows or any other business operations between the BNCTL, S.A. and the State or other public entities.

Article 11
Transparency

BNCTL, S.A., must publish on its official website and make available to the public, in both official languages and in English, updated information on the following data:

- a) The legal framework applicable to the BNCTL, S.A.;
- b) The organizational structure and internal organization of BNCTL, S.A.;
- c) The functions and competences of each of its sections or internal organs;
- d) The annual financial reports of BNCTL, S.A.;
- e) Its subsidiary or affiliate companies and all entities in which it has a stockholding, a representation or an intervention, whatever is their nature and legal basis;
- f) The composition of its organs as well as the identification of the persons in charge of the senior management of BNCTL, S.A.;
- g) The information concerning the personnel, including, in a broad and consolidated way, the total pay earned by the personnel at its service;
- h) The remuneration policy of the governing bodies

Article 12
Labor relations

1. The employees of East Timor's Microfinance Institution shall keep all their rights and obligations in the face of BNCTL, S.A., according to the status they hold on the date the present statute enters into force.
2. The legal regimes of the individual work contract and of the contract for the rendering of services shall apply to the employees of BNCTL, S.A.

Article 11

Disqualification and dismissal

1. The members of the board of directors and of the audit committee shall be subject to the regime of disqualification and dismissal laid down by the legislation applicable to bank institutions.
2. Without detriment to what is prescribed in the previous number, the members of the board of directors and of the audit committee may also be dismissed upon decision of the stockholders' meeting or, if this organ does not act within 30 days after a Central Bank's instruction has been set aiming at disqualifying them, upon a Central Bank's decision, in case they have not properly informed of their financial interests and other personal interests in accordance with the present statute.

Article 12

Duties of the social organs' members

Without detriment to what is prescribed by the legislation applicable to the BNCTL, S.A., the members of the board of directors, of the audit committee and of the risk management committee must:

- a) Fulfill their functions in an impartial and professional way and always act accordingly to the interests of the BNCTL, S.A.; b) Keep up with, check and control the development of the activities and businesses of BNCTL, S.A. in all their aspects;
- c) Assess and manage the risks associated to the activities of BNCTL, S.A.; d) Ensure the sufficiency, the truthfulness and the reliability of the information concerning BNCTL, S.A.

Article 13

Managers with the power to bind BNCTL, S.A.

The managers with the power or the right to individually or together with any other person bind BNCTL, S.A. shall be subject to the legal rules and provisions referred to in Articles 9 to 12 of the present statute.

Article 14

Minutes

1. It shall be drawn up the minutes from the meetings of the social organs reporting the decisions taken.
2. The minutes must be signed by all those present.
3. The minutes of the stockholders' meetings shall be drawn up and signed by the president, the vice president and the secretary.

SECTION 1

Stockholders' meeting

Article 15

Participation in the stockholders' meeting

1. The State shall be represented in the stockholders' meeting by the person nominated by joint dispatch of the Government members responsible for the finance and the economic development areas.
2. All members in office of the social organs must attend the stockholders' meeting.
3. A common delegate of the bondholders may also attend the stockholders' meeting, as well as those persons whose attendance is allowed by the chair of the board of the meeting, such as, upon proposal of the board of directors, technicians of the BNCTL, S.A., so that they have the opportunity to clarify specific issues submitted to the stockholders' meeting.

Article 16

SECTION 2
Board of directors

Article 19
Composition of the board of directors

1. The board of directors shall be composed by three, five or seven members nominated by the stockholders' meeting accordingly to the legislation applicable to bank institutions.
2. The nomination of the president and vice president of the board of directors shall be made by the stockholders' meeting or, lacking it, by the elected board of directors.

Article 20
Competences of the board of directors

Besides the competences conferred on it by law, the board of directors shall be especially incumbent:

- a) To manage the social businesses and to carry out every act included in the social object;
- b) To shape the internal organization of the BNCTL, S.A. and to draw up the regulations and instructions that it deems to be appropriate;
- c)

Article 22

Competence of the president and of the vice president

1. The president of the board of directors shall be incumbent:
 - a) To represent the board of directors; b) To coordinate the activity of the board of directors and to call for and to lead its meetings;
 - c) To ensure the proper implementation of the decisions taken by the board of directors.
2. The president of the board of directors shall be replaced by the vice president in case of absence or impediment.

Article 23

Meetings and decisions of the board of directors

1. The board of directors shall meet ordinarily with the periodicity set by itself and extraordinarily whenever it has been called to meet by its president's own initiative or at the request of one director, in case the number of members of the board of directors is not higher than five, or of two directors, in case the number of members of the board of directors is higher than five.
2. The board of directors shall also meet at the request of one or more directors or at the request of the shareholders.

