



## **NATIONAL BANK OF THE REPUBLIC OF MACEDONIA**

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Pursuant to Article 69 of the Law on the National Bank of the Republic of Macedonia ("Official Gazette of RM" No. 3/2002, 51/2003, 85/2003, 40/2004, 61/2005 and 129/2006) and Article 68 paragraph 1 item 2 of the Banking Law ("Official Gazette of RM" no. 67/2007) and item 23 of the Decision on managing the currency risk ("Official Gazette of RM" no. 17/2008), the Governor of the National Bank of the Republic of Macedonia Council adopted the following

### **INSTRUCTIONS for implementing the Decision on managing the currency risk ("Official Gazette of RM" no. 154/2008)**

#### **I. GENERAL PROVISIONS**

1. These Instructions shall set forth the manner of implementation of the Decision on managing the currency risk (hereinafter referred to as: the Decision).

2. For the purpose of uniform implementation of the Decision, the bank shall be required to fill in and to submit to the National Bank of the Republic of Macedonia (hereinafter referred to as: the National Bank) the following reports:

- Report on the currency risk exposure by positions - Form ODP-p; and
- Summary report on the currency risk exposure - Form ODP-z.

The forms under paragraph 1 of this item shall be an integral part of these Instructions.

#### **II. REPORT ON THE CURRENCY RISK EXPOSURE BY POSITIONS**

3. The report on the currency risk exposure by positions (Form ODP-p) shall represent a summary overview of the currency structure of all bank's Balance Sheet accounts, which are nominated in foreign currencies and in Denars with FX clause, which in conformity with the accounting rules are FX valued on a regular basis.

The Form ODP-p shall be filled in by applying the rules under items 4, 5, 6, 7 and 8 of these Instructions.

Regarding the filling in of this Form, the banks shall be required to present the on-balance sheet items classified in the risk category C, D and E on a net basis, i.e. reduced by the amount of the impairment. The on-balance sheet items classified in the risk categories A and B shall be shown on a gross basis, i.e. they shall not be reduced by the amount of the impairment.

4. The column no. 3 - "accounts" shall state the relevant accounts on which individual positions of the column no. 2 are recorded in the bank's accounting.

5. The columns from no. 4 to no.8 - "currency", which pertain to the currencies in the banks' Balance Sheet, shall state the amount on each on-balance sheet or off-balance sheet

item by each currency, denominated in Denars by applying the middle exchange rate of the National Bank.

The column no. 9 - "other currencies", shall state the aggregate amount of all other currencies in the bank's Balance Sheet. The total amount of other currencies (line no. 17 and line no. 36 of this column) must not exceed 10% of the total on-balance sheet and off-balance sheet assets in foreign currency and in Denars with FX clause (line no. 17 of the column no. 10), i.e. of the total on-balance sheet and off-balance sheet liabilities in foreign currency and in Denars with FX clause (line no. 36 of the column no.10).

6. Column no. 10 - "total" shall state the sum of the amounts shown in columns from no. 4 to no. 9, as a sum of each position in all currencies.

### **Assets**

7. The assets' positions shall be filled in as follows:

1) Cash, cash equivalents, gold, precious metals

This position shall state the cash, cash equivalents, current accounts in foreign currency and gold and precious metals, recorded on the adequate part of the accounts: 1012, 105, 1061, 1071, 1090, 1094, 1312, 300, 301, 307, 308, 31, as well as on other adequate accounts.

2) Financial instruments held for trading

This position shall state the money market instruments, other debt instruments and equity instruments in foreign currency and in Denars with FX clause held for trading, shown separately in foreign currency (account 36) and in Denars with FX clause (account 46).

3) Derivatives for trading

This position shall encompass the derivatives for trading in foreign currency and in Denars with FX clause recorded on the accounts 350 and 453.

4) Embedded derivatives and derivatives held for risk management

This position in the bank's accounting is recorded on the accounts 351, 352, 454 and 455.

5) Financial instruments at fair value through the profit and loss, designated as such at initial recognition.

This position shall state the money market instruments, other debt instruments, equity instruments and credits in foreign currency and in Denars with FX clause at fair value through the profit and loss, designated as such at initial recognition. This position shall separately present the financial assets at fair value through the profit and loss designated as such at the initial recognition in foreign currency (account 39) and in Denars with FX clause (account 49).

6) Financial instruments held to maturity

Money market instruments and other debt instruments in foreign currency held to maturity and those denominated in Denars with FX clause are recorded on the

accounts 38 and 48, respectively (instruments classified in the risk categories C, D and E shall be presented on a net basis).

7) Financial instruments available for sale

This position shall cover the money market instruments, other debt instruments, equity securities and other instruments in foreign currency (account 37) and in Denars with FX clause (accounts 47) which are available for sale (instruments classified in the risk categories C, D and E shall be presented on a net basis).

8) Credits and claims in foreign currency

This position shall separately show the deposits in other banks (accounts 33 and 54), the financial leasing (account t 59, except to account 599), credits (account 51) and other claims (claims from payments on backing guarantees on securities and guarantees-backed payments and claims based on purchased claims - factoring and forfeiting) in foreign currency recorded on the accounts 561, 569 (the adequate part) and 57 (the adequate part).

The amount of the performed impairment pertaining to the credits and claims stated in this position shall be presented as a separate position, but only for those credits and claims classified in the risk categories C, D and E.

9) Credits and claims in Denars with FX clause

This position shall include the deposits in other banks, the financial leasing, credits and other claims in Denars with FX clause, recorded on the accounts: 133, 135, 139, 52, 55, 562, 569 (the adequate part), 57 (the adequate part) and 599.

The amount of the performed impairment pertaining to the credits and claims stated under this position shall be presented as separate position, but only for the credits and claims classified in the risk categories C, D and E.

10) Interest receivables in foreign currency

This position shall state the amount of the interest based on interbank transactions, deposits, financial leasing, credits, other claims and securities in foreign currency (the adequate part of the account 15).

The total amount of the accrued interest in foreign currency and the amount of the performed impairment referring to the interest in foreign currency on credits and claims classified in the risk categories C, D and E shall be presented as separate positions.

11) Interest receivables in Denars with FX clause

This position shall state the amount of the interest based on interbank transactions, deposits, financial leasing, credits and other claims and securities in Denars with FX clause (the adequate part of the account 15).

The total amount of the accrued interest in Denars with FX clause and the amount of the performed impairment referring to the interest in Denars with FX clause on credits and claims classified in the risk categories C, D and E shall be presented as separate position.

12) Commissions and fees receivables

This position shall include the commissions and fees receivables in foreign currencies and in Denars with FX clause recorded on the adequate part of the account 16.

The total amount of the calculated commissions and fees in foreign currency and in Denars with FX clause and the performed impairment referring to the commissions and fees in foreign currency and in Denars with FX clause classified in the risk categories C, D and E shall be presented as separate position.

13) Investments

This position shall include the investments in affiliates, the investments in subsidiaries and the joint investments in foreign currency and in Denars with FX clause recorded on the adequate part of the accounts 07, 08 and 09.

14) Other non-mentioned on-balance sheet assets

This position shall include the accounts pertaining to the claims on buyers, advances and other claims in foreign currency (accounts 121, 125, 127 and 129), accounts for differed income, costs paid in advance and temporary accounts (adequate part of the accounts 192, 193 and 194), as well as all other accounts of the bank's assets that can not be distributed in the previous asset items of the Form ODP-p, presented on a net basis (reduced by the amount of the performed impairment).

15) Total on-balance sheet assets

The sum of all on-balance sheet asset items in foreign currency and in Denars with FX clause by currency and total (sum of the lines from no.1 to no.14) shall be stated.

16) Off-balance sheet assets

This position shall state the adequate part of the accounts 990 and 991 in foreign currency and in Denars with FX clause, for which the bank expects for certain to register inflow/collect funds (the adequate part of the positions under item 5 paragraph 1 indents 2 and 4 of the Decision).

17) On-balance sheet and off-balance sheet assets in foreign currency and in Denars with FX clause

This position shall state the total on-balance sheet and off-balance sheet assets in foreign currency and in Denars with FX clause obtained as a sum of all amounts under lines no. 15 and no. 16 for each currency (columns no. 4, 5, 6, 7, 8 and 9) and for all currencies together (column no. 10).

18) Share of the on-balance sheet and off-balance sheet assets in foreign currency and in Denars with FX clause in particular currency in the total on-balance sheet and off-balance sheet assets in foreign currency and in Denars with FX clause

This position shall be obtained as a ratio between the amounts for each currency under line no. 17 columns no. 4, 5, 6, 7, 8 and 9 and the amount under line no. 17 column no. 10, representing the percentage share of the assets in foreign currency and in Denars with FX clause by each currency in the total assets in foreign currency and in Denars with FX clause.

## **Liabilities**

8. The liabilities' positions shall be filled in as follows:

19) Current accounts

This position shall include the current accounts in foreign currency recorded on the accounts 700, 702, 705, 707, 708, 709 and 71.

20) Financial liabilities at fair value through the profit and loss

This position shall separately show the financial liabilities at fair value through the profit and loss in foreign currency and in Denars with FX clause, recorded on the account 79 and all other accounts these bank's liabilities are recorded on.

21) Derivatives for trading

This position shall include the derivatives for trading in foreign currency and in Denars with FX clause recorded on the accounts 750 and 853.

22) Embedded derivatives and derivatives held for risk management

This position shall include the derivatives for trading in foreign currency and in Denars with FX clause recorded on the accounts 751, 752, 854 and 855.

23) Foreign currency deposits

This position shall include the sight deposits and term deposits in foreign currency recorded on the adequate part of the account 72, with the deposits of the financial institutions, nonfinancial institutions, natural persons, nonresidents and other clients being shown separately. The position "Natural persons" shall cover only the part of the accounts pertaining to the households' deposits the natural persons' deposits are recorded on, i.e. the deposits of the self-employed professionals shall not be included (they are part of other clients' deposits).

24) Deposits in Denars with FX clause

This position shall include the sight deposits and term deposits in Denars with FX clause recorded on the account 86, with the deposits of financial institutions, nonfinancial institutions, natural persons, nonresidents and other clients being shown separately. The position "Natural persons" shall cover only the part of the accounts pertaining to the households' deposits the natural persons' deposits are recorded on, i.e. the deposits of the self-employed professionals shall not be included (they are part of other clients' deposits).

25) Liabilities from credits

This position shall state separately the liabilities from credits in foreign currency (account 74) and the liabilities from credits in Denars with FX clause (account 87).

26) Issued debt securities

This position shall state the liabilities from issued securities in foreign currency and in Denars with FX clause recorded on the accounts 73 and 831.

- 27) Interest payable in foreign currency
- This position shall state the amount of the interest payable on credits, deposits, hybrid and subordinated instruments and other instruments in foreign currency, recorded on the adequate part of the account 25.
- 28) Interest payable in Denars with FX clause
- This position shall state the amount of Interest payable on credits, deposits, hybrid and subordinated instruments and other instruments in Denars with FX clause, recorded on the appropriate part of the account 25.
- 29) Commissions and fees payable
- This position shall include the commissions and fees payable in foreign currency and in Denars with FX clause recorded on the appropriate part of the account 26.
- 30) Financial leasing
- In the bank's accounting, the liabilities based on financial leasing are recorded on the account 78 and on all other accounts which the financial leasing in foreign currency and in Denars with FX are recorded on.
- 31) Hybrid and subordinated instruments in foreign currency
- This position shall encompass the hybrid and subordinated instruments recorded on the accounts 9101 and 9111.
- 32) Hybrid and subordinated instruments in Denars with FX clause
- The hybrid instruments and subordinated instruments in Denars with FX clause in the bank's accounting are recorded on the accounts 9102 and 9112.
- 33) Other non-mentioned on-balance sheet liabilities
- This position shall include the liabilities to suppliers, accrued expenditures, short-term liabilities, deferred income and the temporary accounts, as well as the undertaken liabilities in foreign currency (the adequate part of the accounts 22, 23, 29 and 77), as well as the other accounts of the bank's liabilities that can not be distributed to the previous liabilities positions of the Form ODP-p.
- 34) Total on-balance sheet liabilities
- This position shall state the sum of all on-balance sheet liabilities items in foreign currency and in Denars with FX clause, by currency and total (sum of the lines from no. 19 to no. 33).
- 35) Off-balance sheet liabilities
- This position shall state the adequate part of the account 998 in foreign currency and in Denars with FX clause, for which the bank expects for certain that it will register outflow/payment (appropriate part of the positions under item 5 paragraph 1 indents 2 and 3 of the Decision). These positions shall be presented on a net basis (reduced by the amount of allocated special reserve).

- 36) On-balance sheet and off-balance sheet liabilities in foreign currency and in Denars with FX clause by currency

This position shall state the total on-balance sheet and off-balance sheet liabilities in foreign currency and in Denars with FX clause which is obtained as a sum of all amounts under lines no. 34 and no. 35, by each currency (columns no. 4,5,6,7,8 and 9) and for all currencies together (column no. 10).

- 37) Share of the on-balance sheet and off-balance sheet liabilities in foreign currency and in Denars with FX clause in particular currency in the total on-balance sheet and off-balance sheet liabilities in foreign currency and in Denars with FX clause

This position shall be obtained as a ratio between the amounts for each currency under the line no. 36 columns no. 4, 5, 6, 7, 8 and 9 and the amount under line no. 36 column no. 10 and it shall present the percentage share of the liabilities in foreign currency and in Denars with FX clause by each currency in the total liabilities in foreign currency and in Denars with FX clause.

### **III. SUMMARY REPORT ON THE CURRENCY RISK EXPOSURE**

9. The summary report on the currency risk exposure (Form ODP-z) shall be used for determining and presenting the bank's aggregate foreign exchange position and it shall be filled in by applying the following rules:

9.1. The bank shall fill in all columns of the form for each currency in which the bank has on-balance sheet and off-balance sheet asset and liabilities items representing currency risk exposure.

All positions by currencies shall be presented separately in foreign currency (columns no. 1, 3 and 5) and in Denars with FX clause (columns no. 2, 4 and 6).

9.2. Columns no. 1 and no. 2 shall state the total amount of the on-balance sheet asset items for each currency. The sum of these two columns should be equal to the sum of the respective column of the line 15 of the Form ODP-p.

9.3. Columns no. 3 and no. 4 shall state the total amount of the on-balance sheet liabilities items for the respective currency. The sum of these two columns should be equal to the amount of the respective column of the line no. 34 of the Form ODP-p.

9.4. Columns no. 5 and no. 6 shall state the off-balance sheet items in net amount, determined as a difference between the off-balance sheet assets and off-balance sheet liabilities for each currency in which the bank has off-balance sheet items representing exposure to currency risk. If the off-balance sheet assets are larger than the off-balance sheet liabilities (long position), the obtained difference shall be entered with positive sign. If the off-balance sheet assets are smaller than the off-balance sheet liabilities (short position), the obtained difference shall be entered with negative sign.

The sum of the columns no. 5 and no. 6 of this Form should be equal to the difference from the respective columns of the lines no. 16 and no. 35 of the Form ODP-p.

9.5. Column no. 7 - "ODP" shall state the sum of the amounts from columns no. 1, 2, 5 and 6, reduced by the amount of the columns no. 3 and no. 4. The open long foreign exchange positions (larger amount of foreign assets than foreign liability by currency) shall be entered with positive sign, while the open short foreign exchange positions (smaller amount of foreign assets than foreign liability by currency) shall be entered with negative sign.

9.6. Column no. 8 - "middle exchange rate of the NBRM" shall state the middle exchange rate of the National Bank on the day of the preparation of the Summary Report on the Currency Risk Exposure.

9.7. No. I - "aggregate long foreign exchange position" shall state the sum of all open long positions by currency from line 7".

9.8. No. II - "aggregate short foreign exchange position" shall state the sum of all open short positions by currency from line no.7 in absolute amount.

9.9. No. III - "own funds" shall state the amount of the own funds at the end of the last quarter, except if within the period from the date of the last quarter and the date of the preparation of the Form ODP-z no significant change in the amount of own funds (for ex. new issue of shares, issued hybrid or subordinated instrument, loss arising from the current operations, etc), is made, which is not included in the calculation of own funds from the last quarter.

9.10. No. IV - "aggregate foreign exchange position" shall state the larger amount of the aggregate long foreign exchange position (no. I) and the aggregate short foreign exchange position (line II).

9.11. No. V - "aggregate foreign exchange position/own funds" shall state the ratio between the aggregate foreign exchange position stated under no. IV and the amount of the own funds under no. III. This ration should not exceed the prescribed limit (30%).

## **VI. DEADLINES FOR REPORTING TO THE NATIONAL BANK**

10. The bank shall be required to submit the reports under item 2 of these Instructions on a daily basis, within two working days from the reporting day.

By exception to paragraph 1, the reports pertaining to March 31, June 30 and September 30 shall be submitted within 15 working days after the expiration of the reporting day, while the reports pertaining to December 31, shall be submitted within five working days after the expiration of the deadline for submission of the non- audited annual financial statement.

## **VII. TRANSITIONAL AND CLOSING PROVISIONS**

11. The foreign banks' branches shall be required to apply appropriately the provisions of these Instructions, having in mind the provisions of the Banking Law and the bylaws resulting thereof, which regulate the operations of the foreign banks' branches in the Republic of Macedonia.

12. These Instructions shall enter into force on the eighth day from the day it is published in the "Official Gazette of RM", while its implementation shall commence on January 01, 2009.

By exception to item 10 of these Instructions, for January 2009, the bank shall be required to submit only the reports for January 10th, 20th and 31st until February 03, 2009, at the latest.

Starting from February 02, 2009 the bank shall be required to prepare and to submit the daily reports to the National Bank, in line with the deadlines set forth in item 10 of these Instructions.



13. By entering into force of these Instructions, the Manual for implementing the Decision on determining and calculating open currency positions of banks no. 34 from January 01, 2002 and the amendments to the Manual for enforcement of the Decision on determining and calculating the open foreign exchange positions of banks no. 34 from October 24, 2004 ("Official Gazette of RM" no. 94/2002) shall become void.

**No. 7878**  
**December 05, 2008**  
**Skopje**

**Petar Goshev, M.Sc.**  
**Governor**