



Report
on the implementation of the Plan of Activities of the National Bank of the
Republic of Macedonia for 2016

February 2017

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The Plan of Activities of the National Bank for 2016 (hereinafter: Plan of Activities) is a detailed elaboration of the ten strategic objectives set in the Strategic Plan of the National Bank of the Republic of Macedonia for 2016-2018, SP No. 02-15/V-1/2015 of 7 May 2015, and the Operating Guidelines of the National Bank of the Republic of Macedonia for 2016, OG No. 02-15/VIII-1/2015 of 25 June 2015.

The Plan of Activities is implemented within one calendar year, from 1 January to 31 December. Successful implementation of program activities involves timely provision of all relevant information, good organization and use of planned resources.

The Plan of Activities includes activities related to the implementation of the primary objectives of the National Bank mainly related to the monetary policy, supervision, banking regulation and financial stability, financial markets, foreign reserves management, research development, publications and management of banknotes and coins, payment systems, statistics, as well as other activities that support the primary functions of the National Bank of the Republic of Macedonia (hereinafter: National Bank) such as finance and accounting, information technology and corporate governance. Moreover, the Plan of Activities also includes activities aimed at harmonization of the legal, organizational and resource requirements of the National Bank in the process of accession to the European Central Bank (ECB) and the European System of Central Banks, which is consistent with the recommendations contained in the *Needs Analysis Programme for the National Bank of the Republic of Macedonia*, prepared within the IPA¹ funded project (IPA - Instrument for Pre-Accession Assistance).

The Plan of Activities contains 190 activities, of which 76 regular and 114 new activities. Most of the regular activities were carried out throughout the year, while the pace of implementation of new activities and projects was scheduled by quarter, or in the medium term.

Regarding the implementation status, we can conclude that the Plan of Activities is largely implemented, given that the planned program activities have been completed or regularly carried out in accordance with the established timetable. Despite the regular, many new activities and projects were implemented that ensure further advancement of the

¹ Instrument for Pre-Accession Assistance

National Bank operations by improving quality, efficiency, precision and safety in the operations, and adjustment to certain regulatory requirements and standards.

In 2016, changes were made in the area of infrastructure of the monetary decision-making process. Thus, during the April forecast cycle, the new MAKPAM model² was introduced, ensuring more precise understanding of the economy. These changes resulted in greater consistency of the analytical monetary decision-making framework, greater conciseness of macroeconomic projections and thus much richer set of data for making monetary decisions.

Furthermore, the technical and legal framework that helped the Macedonian Interbank Payment System (MIPS) to grow into dual-currency payment system (denars and euros) was also completed, ensuring resident payments in euros and cross-border payments in euros through the ECB's TARGET2 system³. Moreover, a new methodology was also introduced that largely synchronized payment statistics data with the data prepared in accordance with the ECB regulations. The World Bank recommendations made in the area of foreign reserves management continued to be implemented, thus improving risk management and decision making related to foreign reserves investment.

In 2016, activities were launched for introducing new extensive and complex macro prudent standards under the so-called Basel 3, CRD⁴ and CRR⁵, which were finalized in February 2017. These standards aim to further strengthen the already strong capital positions of banks, and accordingly, will strengthen their stability and resilience to shocks. Also, the enhancement of off-site supervision capacity is particularly important, by reviewing the supervisory processes for assessment of the banks' overall risk profile and capital requirements, under the methodology of the European Banking Authority (EBA)⁶, and by improving the efficiency of off-site supervision, under the assessment and recommendations of the World Bank (Finsac). In terms of anti-money laundering risk, the National Bank joined the three-year project to develop the AML/CFT National Strategy, supported by the Council of Europe.

The existing denomination of currency in circulation was rebalanced in 2016 by introducing two new denominations of banknotes of 200 and 2000 denars, which improved the denomination structure of currency in circulation and increased the speed of cash transactions.

² Macedonian Policy Analysis Model

³ Payment system for settlement in euros in real time on gross basis operated by the Eurosystem.

⁴ Capital Requirements Directives

⁵ Capital Requirements Regulation

⁶ European Banking Authority

In the area of statistics, the National Bank joined the Coordinated Portfolio Investment Survey (CPIS)⁷, and fully met the IMF requirements for reporting in the field of external statistics. Also, as part of the efforts to promote transparency and communication with users, the National Bank began publishing statistical press releases.

In the area of information technology, the replacement of the data storage system used in most NBRM operations is of special importance. This created server capacities for new IT systems and functioning of the current IT systems in the next five years.

The Business Continuity Plan was tested for several key NBRM processes relevant for the economy.

In 2016, the National Bank celebrated 70 years of central-banking activities in the Republic of Macedonia. This important jubilee was celebrated throughout the year by a number of events organized by the National Bank.

Generally, it can be concluded that the Plan of Activities has been successfully completed. Given the implementation status, in 2016, the organizational units successfully carried out all program activities and followed the planned dynamics of implementation of the Plan of Activities.

⁷ Coordinated Portfolio Investment Survey