



Law on Payment Services and Payment Systems (LPSPS)

January 2023



Scope of the LPSPS

Section 1 – General provisions

Section 2 – Payment and electronic money institutions

Section 3 – Requesting information on payment services

Section 4 – Rights and obligations related to providing and utilization of payment services

Section 5 – Oversight



D1 – Type of payment services

Depositing cash on payment account

opening, maintenance and closing an account



Withdrawing cash from the payment account

Opening, maintaining and closing an account



Execution of payment transactions, where the funds are covered by credit line

Execution of payment transactions

a) direct debit;
b) payment cards or similar devices, and
c) credit transfers, including standing orders.



Money remittance



Services for providing information on payment accounts

Payment initiation services



D1 – Who may provide payment services and issue electronic money

Only **payment service providers** may provide payment services:

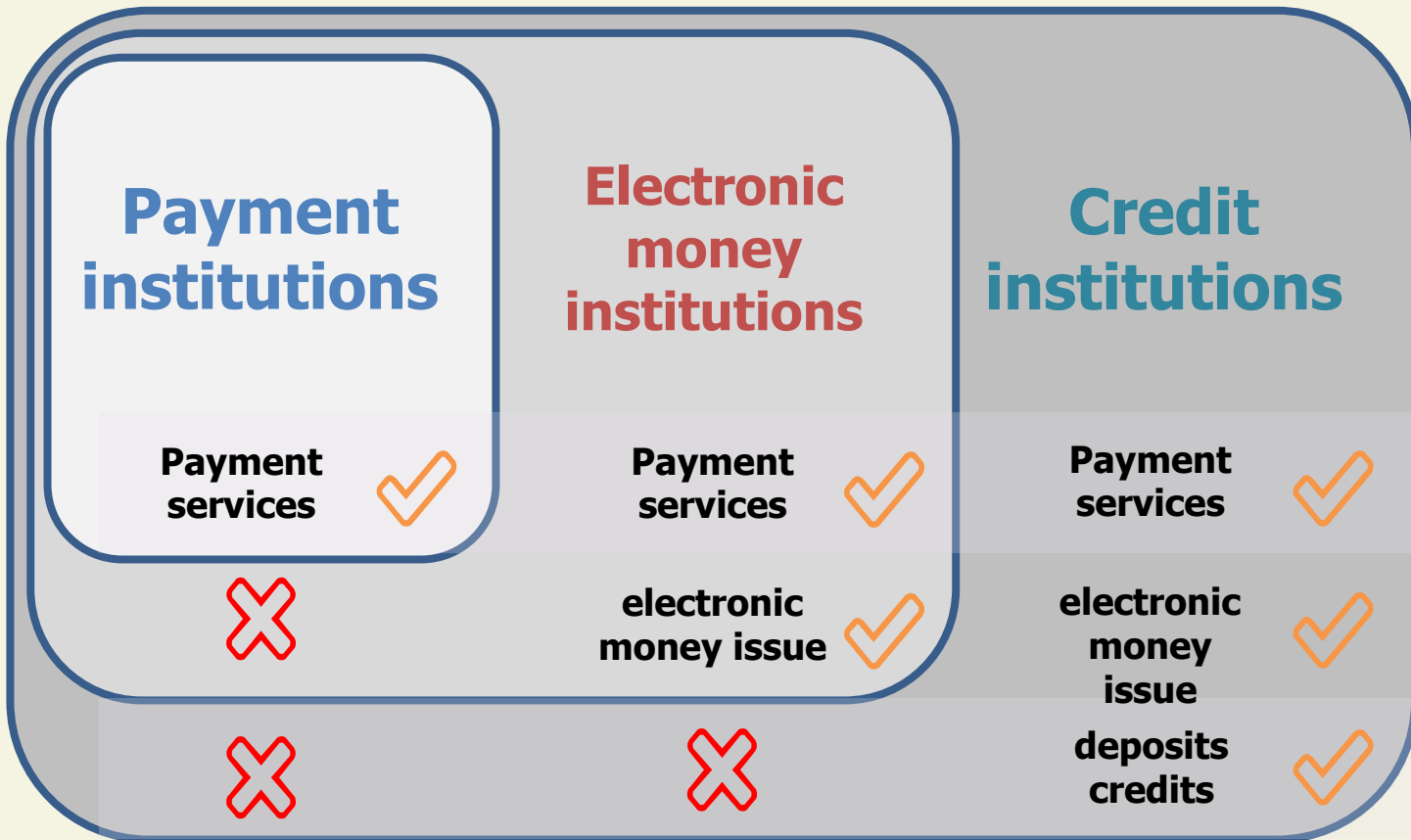
- Banks, branch offices of foreign banks and savings houses,
- Payment institutions,
- Electronic money-institutions,
- Vault and the Fund's vault,
- NBRNM.

Electronic money issuers can be provided by the following payment service providers:

- Banks, branch offices of foreign banks and savings houses,
- Electronic money institutions,
- NBRNM.



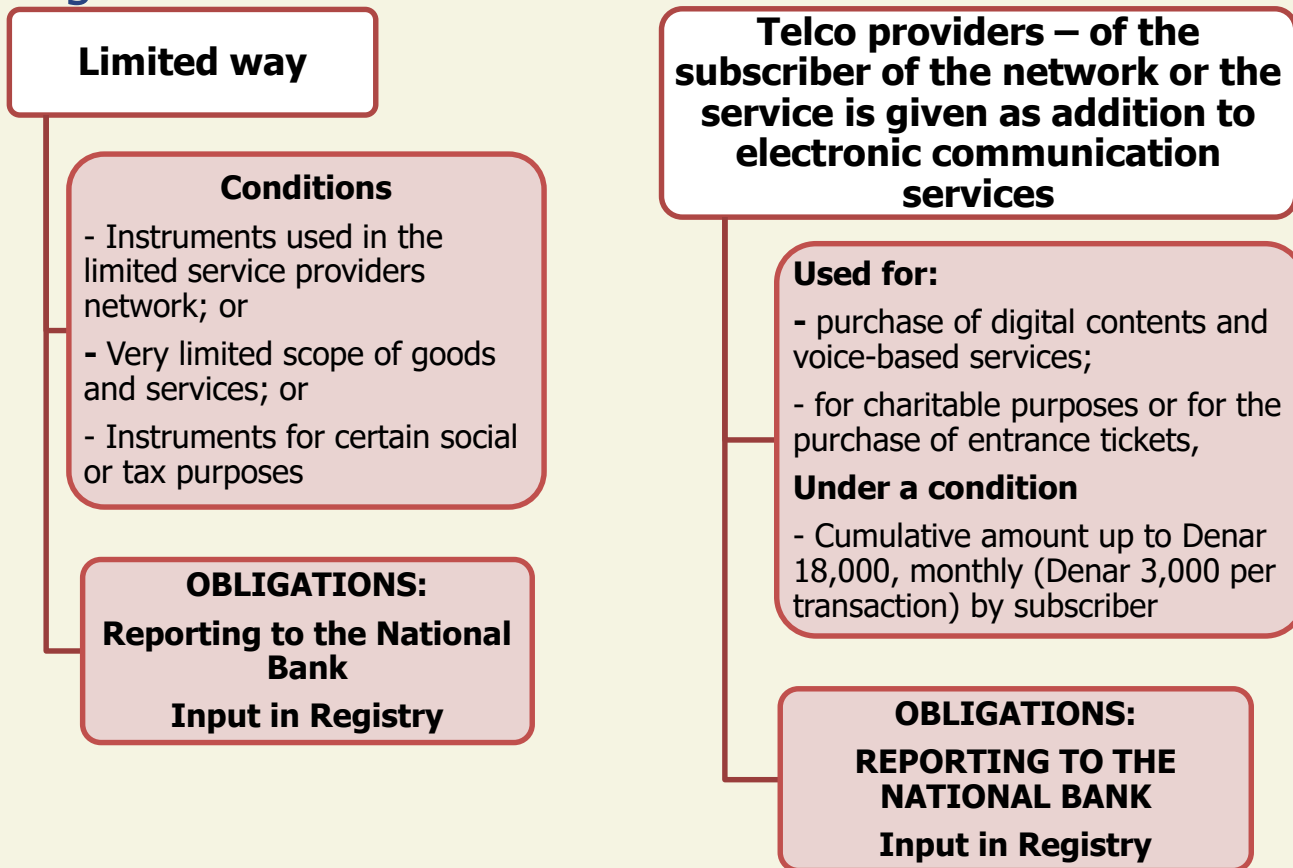
D1-Payment service providers





Exception

Also other entities can provide payment services, but only if the following conditions are met:



The Council makes a decision that prescribes the way of reporting, as well as evaluating the fulfillment of the conditions for providing services in a limited way.



PART 2

PAYMENT INSTITUTIONS AND ELECTRONIC MONEY INSTITUTIONS





D2-Other business activities

- Except for the payment services, **the payment institution can** also perform the following:
 - providing **operational and related auxiliary services** related to providing payment services (currency conversion, maintenance and processing of data);
 - **payment system management**, and
 - **other activities** other than payment services.
- **electronic money institution**, besides electronic money issuance, may **provide payment services and perform the above mentioned activities**.
- The National Bank may request **foundation of a separate legal entity** if these activities distract the stability and safety of the institution or the ability of the National Bank to monitor its operations.



D2-Ban on deposit-taking

Payment institutions and electronic money institutions may not take deposits or other refundable sources of funds from the public, nor advertise the performance of such activities.

Monetary assets received by payment institutions and electronic money institutions from payment service users **do not constitute deposits or other refundable sources of funds**

The electronic money issuer may not calculate and pay interest or offer any other benefit within the period during which the electronic money issuer holds the electronic money



D2-Prudential standards for PI and EMI

Initial capital

- in monetary form;
- the amount is changed depending on the type of payment instruments to be performed and whether electronic money are issued
 - Denar 1,300,000 for money remittances
 - Denar 3,100,000 for payment initiation services
 - Denar 7,800,000 for all other payment services and for a combination of several payment services
 - Denar 21,700,000 for electronic money institutions
- Institutions that render only account information services and are not required to have initial capital
- facilitated access to PI initial capital: Denar 1.3 million instead of Denar 7.8 million
- facilitated access to EMI: Denar 3.6 million instead of Denar 21.7 million
- serves as a lower limit for determining the amount of own funds

Decision on PI and EMI Licensing

01. General provisions
02. Issuing license for providing payment services i.e. license for issuing electronic money
03. Amending or revoking the license for providing payment services for the purpose of issuing electronic money
04. Issuing permission for status changes of the payment/electronic money institution
05. Issuing prior approval for members of the governing body and acquiring qualified holding of the payment/electronic money institution
06. Issuance of license for founding a subsidiary in third country
07. Providing payment services i.e. distribution and purchase of electronic money through agents
08. Manner of submitting/providing the documentation and other data and information required for the implementation of the decision
09. Contents and manner of maintaining the payment institutions register and the electronic money register and manner of deleting data from the registries





Legal basis



Law on Payment Services and Payment Systems (Official Gazette of the Republic of North Macedonia No. 90/22)

Article 16 paragraph 17 - Request for obtaining an authorization and request for entry in a register

Article 21 paragraph 7 - Supplementing an authorization, revocation of an authorization for the provision of payment services

for the purpose of issuing electronic money

Article 22 paragraph 6 - Permission for changes in status

Article 23 paragraph 8 - Consent for members of a management body and for the acquisition of qualifying holding

Article 26 paragraph 8 - Consent to establish a subsidiary in a third country

Article 27 paragraph 7 - Register of payment institutions and Register of electronic money institutions

Article 39 paragraph 8 - Registration of agents



Harmonization with the recommendations of the European banking regulator

GUIDELINES ON AUTHORISATION AND REGISTRATION UNDER PSD2
EBA/GL/2017/09

08/11/2017



Guidelines

on the information to be provided for
the authorization of payment
institutions and electronic money institutions
and for the registration of account
information service providers under
Article 5(5) of Directive (EU) 2015/2366



01. The Decision regulates the following:



01

Documents, data and/or information and the manner and procedure for their assessment by the National Bank for issuing approval i.e. decision on entry in the Payment Institutions Register;

02

- Documents, data and/or information and the manner and procedure for their evaluation by the National Bank for issuing approvals for members of a management body, for acquiring a qualified holding and for issuing approval for establishing a subsidiary in a third country;

03

The contents and the method of maintaining the PI Register and the EMI Register and the method of deleting data from the registers and



04

The procedure for submitting an application, the documents, data and/or information required for the registration of an agent in the PI Register or the EMI Register, as well as the procedure for deleting the agent from the register.

■





Required licensing documentation

02



1. Form 1 - License application
2. Current standing issued by the Central Registry.
3. Applicant's Articles of Incorporation, i.e. Company Agreement, Statement of Founding or Company's Statute
4. Evidence for holding initial capital and evidence of the sources of the initial monetary capital
5. Plan of Activities
6. Business plan with a projection of financial statements and projected volume and value of payment transactions
7. Description of the method to safeguard the funds
8. Description of the management system
9. Procedures to monitor, handle and act upon the occurrence of security incidents, as well as procedures for dealing with objections of payment service users regarding security, including incident reporting mechanisms
10. Procedure for storing, controlling, monitoring and limiting the access to sensitive payments data
11. Business continuity plan
12. Procedures and systems that are applied to collect statistical data on the operations, transactions and frauds

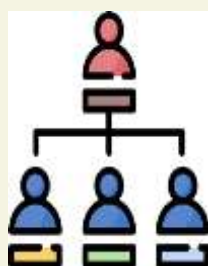
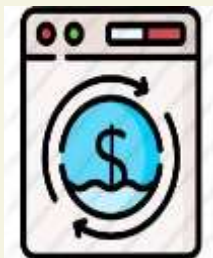




Required licensing documentation

02

- 13.** Security policy
- 14.** Program for efficient mitigation and management of the identified risk of money laundering and financing of terrorism
- 15.** Description of the organizational structure
- 16.** Documents, data and information about persons/entities who, through the persons/entities they are closely connected with, have a qualified holding in the applicant
- 17.** Documents, data and information about the persons who are managers, members of the Management Board, i.e. executive members of the Board of Directors:
- 18.** Confirmation from the Public Revenue Office on regular payment of taxes and contributions
- 19.** Evidence of selection of an audit company
- 20.** List of close connections with the applicant and description of the way they are connected
- 21.** Outsourcing for the planned transfer of the performance of operational functions
- 22.** Planned participation in domestic or foreign payment systems





Payment initiation services

02

Necessary documentation:

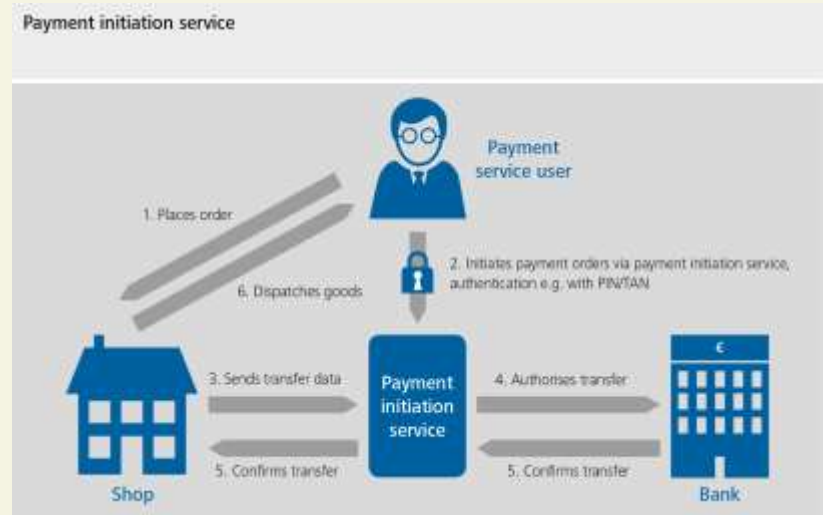
In addition to all documents and/or information, the following is also submitted

Evidence of possession of professional liability insurance or other guarantee against liability without objection and payable on first demand, to ensure that they can cover their liabilities as specified in Articles 89, 102, 103, 104 and 106 of the Law



Law on Payment Services and Payment Systems

Article 8 paragraph 1 item 7- Payment initiation services





Account information services

02

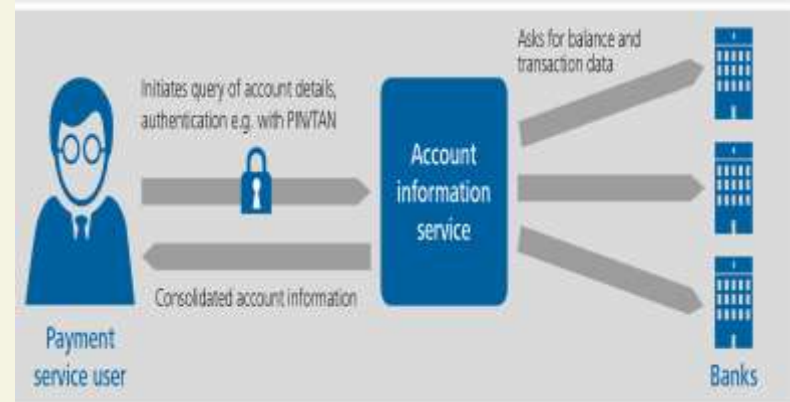
Necessary documentation:

- - Request for registration in the Payment Institutions Register
 - In addition to all documents, data and/or information, evidence of possession of professional liability insurance or other guarantee against the liability without objection and payable on first demand as collateral is required

Law on Payment Services and Payment Systems

Article 8 paragraph 1 item 8 - Account information services

Account information service





License for providing payment services with facilitated access

02

- For payment services referred to in Article 8 paragraph 1 items 2, 3, 4, 5 and 5 of the Law
- The projected total value of the payment transactions in the business plan, which encompasses also the payment transactions planned to be executed through agents, presented as monthly average for the following 12 months, does not exceed Denar 25,000,000
- To have initial capital of at least Denar 1,300,000
- The payment institution that obtained an authorization to provide payment services with facilitated access is obliged to submit a request for obtaining an authorization to provide payment services to the National Bank within 30 (thirty) days from the day of exceeding the amount





Authorization to issue electronic money with facilitated access

- The projected average amount of issued outstanding electronic money presented in the business plan after possible adjustments at the request of the National Bank does not exceed Denar 100,000,000.
- To have initial capital of at least Denar 3,620,000
- The electronic money institution that obtained a license to issue electronic money is obliged to submit a request for obtaining a license to issue electronic money to the National Bank within 30 days from the day of exceeding the amount.





5 main assessment criteria

02



- 1) complete documentation is enclosed to the request
- 2) natural person or legal entity who directly or indirectly, through close links, has qualifying holdings in the applicant, has financial standing and reputation;
- 3) the on who is a member of the management body of the applicant has reputation and professional competence;
- 4) the applicant is organized and has provided the conditions for the operation of a payment institution, i.e. an electronic money institution in accordance with the Law on Payment Systems and Payment Systems and/or the regulations adopted thereof;
- 5) the applicant has a clear management and organizational structure





AMENDING OR REVOKING THE LICENSE TO PROVIDE PAYMENT SERVICES FOR THE PURPOSE OF ISSUING ELECTRONIC MONEY

03

-
- **After obtaining the license for providing payment services i.e. electronic money issuance**
- **For the payment services not stated in the license**
- **If the payment institution intends to issue electronic money, it is obliged to submit an application to the National Bank for obtaining a license to issue electronic money and in that case, if the license for issuing electronic money is issued, the decision on issuing license for payment services will be revoked**



ISSUING PERMISSION FOR STATUS CHANGES OF THE PAYMENT/ELECTRONIC MONEY INSTITUTION

04

Status changes of the payment/electronic money institution shall denote acquisition, merger and demerger pursuant to the provision of the Law on Trade Companies, as follows:

Acquisition of payment/electronic money institution (the institution acquired) by other payment/electronic money institution (the acquiring institution), by transferring the entire assets and liabilities of the acquired institution, without being liquidated, in exchange **for stakes** i.e. shares of the acquiring institution.

Merging two or more payment/electronic money institutions, whereby all payment/ electronic money institutions lose their legal personality and a new institution is founded (the user institution) which will be transferred the entire assets and liabilities of the merged institutions, in exchange for stakes i.e. shares of the new institution (the user institution).

Demerging payment/electronic money institution by:

- spin-off demerger, by transferring the entire assets and liabilities of two or more payment/electronic money institutions, whereby the demerging payment/ electronic money institution ceases to exist without being liquidated;
- split-up by takeover, by transferring the entire assets and liabilities of two or more payment/ electronic money institutions, whereby the demerging payment/ electronic money institution ceases to exist without being liquidated;
- demerger by founding, by transferring the entire assets and liabilities of two or more payment/electronic money institutions, whereby the demerging payment/electronic money institution continues to exist;
- Demerger by incorporation, by transferring part of the assets and liabilities of one or more current payment/electronic money institutions, whereby the demerging payment/electronic money institution continues to exist.



Assessment of the proposed person

05.1.



Analysis of the submitted documentation in accordance with the Law and the Decision

Interview with the proposed manager, executive members of the board of directors/members of the management board

Assessment of the professional competence and reputation



Decision on issuing prior approval of rejection of the application





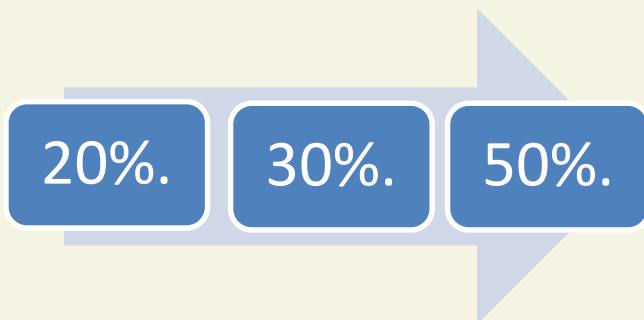
Consent for acquiring qualified holding

05.2.

Increase in the participation in such a way that it shall acquire 20%, 30% or 50% of the total number of shares or of the issued shares with voting rights or of the stake in the payment institution or the electronic money institution, regardless of whether the shares or the share are acquired gradually or all at once,

- **Personal intention of the person/entity**
- **Based on court decision or competent body in accordance with the law**

***PI/EMI with facilitated access → 50%**





Assessment for acquiring qualified holding

05.2.

Review and analysis of the submitted documentation in accordance with the Law and the Decision

- 1. Identity/ legal form/ownership structure**
- 2. Financial standing**
- 3. Determining the source of funds**
- 4. Reputation**

For acquiring at least 50%, a Plan for the first 3 business years with projection of financial statements and data on planned changes in business activities, organization or management of the payment system operator is also submitted



Decision on issuing prior approval of rejection of the application



ISSUANCE OF LICENSE FOR FOUNDING A SUBSIDIARY IN THIRD COUNTRY

06.

Required documents, data and/or information:

- **the country where it intends to found the subsidiary, as well as the title of the competent supervisory authority**
- **a business plan for the first three years of operation, which shall contain a list of the payment services it intends to provide through the subsidiary and the management of the subsidiary**
- **organizational structure of the payment institution**
- **list with names, surnames and address of residence/temporary/permanent residence of the persons who will be responsible for the subsidiary operations**
- **address of the subsidiary in the third country where the National Bank will be able to obtain documentation related to the subsidiary operations.**



PROVIDING PAYMENT SERVICES I.E. DISTRIBUTION AND PURCHASE OF ELECTRONIC MONEY THROUGH AGENTS

07. Documentation

Required documents, data and/or information:

- data on the agent's title, main office and registration number
- the contract concluded between the payment institution, i.e. the electronic money institution and the agent, which regulates their rights and obligations, the way of exercising control over the agent's operations, for the purpose of applying the regulations and protecting the service users;
- Procedures and internal control systems in accordance with the Law on Money Laundering and Terrorist Financing;
- data on the identity of the members of the agent's management body and if the agent is not a payment services provider or electronic money issuer, the documentation referred to in item 4 sub-item 4.17. of this Decision;
- list of payment services i.e. the distribution and/or purchase of electronic money performed by the agent
- a statement from the members of the agent's management body that after the registration in the respective register, the agent will inform the payment service users accordingly that it provides the services on behalf of PI/EMI.

Registration

The agent may start working after its registration in the Payment Institutions Register i.e. the Electronic Money Institutions Register.

Notification of any change

Deletion of the agent from the Payment Institutions Register, i.e. the Electronic Money Institutions Register

The payment institution or electronic money institution shall cease providing payment services through an agent from the day the agent is deleted from the Payment Institutions Register i.e. the Electronic Money Institutions Register.



NOTIFICATION





PI Register and EMI Register

09.

PI Register contains data on the following:

- 1) payment institution being licensed for providing payment services by the National Bank and the payment institution with facilitated access being licensed for providing payment services with facilitated access by the National Bank;
- 2) agents of the payment institution i.e. the payment institution with facilitated access;
- 3) subsidiary of the payment institution being licensed for providing payment services by the National Bank opened in third country;
- 4) other data pursuant to law.

EMI Register contains data on the following:

- 1) electronic money institution licensed for issuing electronic money by the National Bank and the electronic money institution with facilitated access licensed for issuing electronic money with facilitated access by the National Bank;
- 2) agents of the electronic money institution;
- 3) subsidiary of the electronic money institution licensed for issuing electronic money from the National Bank opened in third.



Register

The registers are maintained in **electronic form, they are public and available on the website of the National Bank!**

The National Bank updates data in the register on a **regular basis!**



Forms - annex to the decision

- 01** Form 1 - License application
- 02** Form 2 - Questionnaire for natural persons having qualified holding in the applicant
- 03** Form 3 - Questionnaire for legal entities having a qualified holding in the applicant
- 04** Form 4 - Questionnaire for a member of a management body
- 05** Form 5 or Form 6 - Questionnaire for acquiring a qualified holding in a payment institution i.e. an electronic money institution
- and**
- 06**



Decision on the positions the initial capital and the own funds of PI and EMI consist of

Adhering to the regulations on determining the banks; own funds

In accordance with the European requirements and practice of other countries

- **Tier 1 capital**
 - no positions of the Additional Tier 1 capital are included
- **Tier 2 capital**
 - only in the amount equal or less than one third of the Tier 1 capital
 - no rates of Tier 1 and Tier 2 capital are envisaged
- **Deductions**
 - the amount of direct and indirect investments in own capital instruments from the Tier 1 and Tier 2 capital and in capital instruments from the Tier 1 and Tier 2 capital of financial sector entities, but not for other more complex forms of investments
- **Conditions when it is allowed to reduce the amount of own funds (through redemption, repayment or reduction of individual positions)**
 - Consent from the National Bank



OF Form

Ред. бр.	Опис	Износ
1.	Сопствени средства (2+3)	0
2.	Основен капитал (2.1-2.2)	0
2.1.	Позиции во основен капитал	0
2.1.1.	Акции или влогови во институција	
2.1.2.	Премија од продажбата на акциите или влоговите	
2.1.3.	Задолжителна општа резерва (општ резервен фонд)	
2.1.4.	Задржана нераспоредена добивка	
2.1.5.	(-) Акумулирана загуба од претходни години	
2.1.6.	Тековна добивка или добивка на крајот на годината	
2.1.7.	Збирна сеопфатна добивка или загуба	
2.2.	(-) Одбитни ставки од основниот капитал	0
2.2.1.	(-) Загуба на крајот на годината или тековна загуба	
2.2.2.	(-) Нематеријални средства	
2.2.3.	(-) Директни и индиректни вложувања во сопствени капитални инструменти од основниот капитал, вклучувајќи ги и капиталните инструменти за кои институцијата има договорна обврска да ги купи	
2.2.4.	(-) Директни и индиректни вложувања во капитални инструменти од основниот капитал на лица од финансискиот сектор, со исклучок на оние коишто се држат до пет дена	
2.2.5.	(-) Износ на одбитни ставки од ДК којшто го надминува вкупниот износ на ДК	
2.2.6.	(-) Вложувања во нефинансиски институции	
3.	Дополнителен капитал (ДК) (3.1-3.2)	0
3.1.	Позиции во ДК	0
3.1.1.	Капитални инструменти од ДК	
3.1.2.	Субординирани кредити	
3.1.3.	Премија од капиталните инструменти од ДК	
3.2.	(-) Одбитни ставки од ДК	0
3.2.1.	(-) Директни и индиректни вложувања во сопствени инструменти од ДК, вклучувајќи ги инструментите за кои институцијата има договорна обврска да ги купи	
3.2.2.	(-) Директни и индиректни вложувања во позиции од ДК на лица од финансискиот сектор, со исклучок на оние што се држат до пет дена	



Decision on the types of safe, liquid and low-risk bearing assets that PI and EMI can invest in

- Safeguard of users' assets received at executing payment transactions or electronic money issuance
 - Depositing to a special account opened in the National Bank and/or bank and/or savings house or
 - investment in safe, liquid and low-risk-bearing assets
- Short-term debt securities issued or guaranteed by the Republic of North Macedonia presented and denominated in denars
 - policy for investment in safe, liquid and low-risk bearing assets
 - that there are no restrictions or prohibitions that would prevent their free management by the institution
 - financial instruments maintenance by an entity authorized to perform securities safeguard services, that is, custodian services
 - contract for securities safeguard between institutions and the entity performing custodian services
 - allocation and safeguard of these assets from the other assets of the custodian entity, as well as allocation and safeguard in case of bankruptcy/liquidation of the institution or the custodian entity



Safeguard Form

1.1 Ред. бр.	1.2 Датум	1.3 Износ	1.4 Состојба на сметка	1.5 Назив на банка	1.6 Број на платежна сметка
Вкупно:					

1.1 Ред. бр.	1.2 Датум	1.3 Износ	1.4 Состојба на вложувања	1.5 Вид на ознака	1.6 Код (ИСИН)	1.7 Издадени од
Вкупно:						

1.1 Ред. бр.	1.2 Датум	1.3 Износ	1.4 Износ кој е покриен со полисата	1.5 Издавач на полисата
Вкупно:				



Decision on the minimum amount of the insurance policy or the liability coverage guarantee

- 1. It is required for PIs that will provide payment initiation services and account information services.**
- 2. Requirement to provide a policy/guarantee in the licensing procedure and then to calculate it based on criteria during the operation.**

Criteria on the policy/guarantee amount

- the amount related to the risk profile of the payment institution (damages reported and payments initiated or number of information provided), and
- the amount that is related to the volume of activities of the payment institution (value of initiated payments or provided information about payment accounts).

The payment institution is obliged to determine the minimum amount of the insurance policy or the guarantee referred to in item 3 of this Decision on an annual basis, but no later than 30 June for the previous calendar year.

If the payment institution has been providing payment services for less than 12 months or if it is an insurance policy or guarantee that is submitted to the application for obtaining a license for providing payment services, the amount is Denar 9,000,000.

Complied with: Guidelines on the criteria on how to stipulate the minimum monetary amount of the professional indemnity insurance or other comparable guarantee under Article 5(4) of Directive (EU) 2015/2366.



Decision on the type, the manner of submission and the content of the reports on safeguard of funds

Pursuant to Articles 31 and 32 of the LPSPS, PI and EMI shall safeguard the received funds that are not transferred to the beneficiary or to other payment service provider.

Safeguard of funds means separate keeping of the received funds by the institution from the funds it keeps on its own behalf and for its own account, as well as safeguard in one of the following ways:

- by depositing the funds on the special account with the National Bank and/or savings house,*
- by investing in safe, liquid and low-risk assets.*

Alternative way of safeguard is by using insurance policy or guarantee without objection and payable on first demand.

The National Bank, **on a monthly basis**, will receive reports on the manner of safeguard of funds of the payment service users, which will contain daily data. The Decision envisages four annexes:

- Form on deposited funds in the National Bank and/or bank and/or savings houses,
- Form on invested funds in safe, liquid and lo-risk assets,
- Form on assets covered by an insurance policy or guarantee without objection and payable at first demand, and
- Form for overall safeguard of received funds.



Decision on the type, the manner of submission and the content of the reports on the performed single cross-border payment transactions based on cash remittances that payment institutions, i.e. electronic money institutions submit to the National Bank

Current report that is submitted to the FMT providers in order to control the limits in the Law on FMT, also referred to in LPSPS (Euro 2,500 sent during one month and Euro 5,000 received during one month).

They will submit PI that will provide single cross-border payment transactions based on cash remittances.

Monthly report with all transactions during the month, the deadline is 5 working days from the end of the month for which the report is submitted, in electronic form, through an appropriate application of the National Bank.

Purpose: Conducting off-site supervision over institutions, by monitoring compliance with the limits defined in the Law on Payment Services and Payment Systems.



Sections 4

RIGHTS AND OBLIGATIONS IN TERMS OF PROVIDING AND USING PAYMENT SERVICES





DECISION on the manner of and the conditions for transferring the execution of important operational functions to outsourcing companies by the payment institution, the electronic money institution and the payment system operator



Why is the Decision being introduced?

Pursuant to **Article 40 paragraph 9 and Article 149** of the Law on the Payment Systems and Payment Services, it is necessary, by means of a by-law, to more closely prescribe the manner and conditions for the transfer of the execution of important operational functions to outsourcing companies by the payment institution, i.e. the electronic money institution.

What does it prescribe:

This Decision prescribes the manner and the conditions for transferring the execution of **important operational functions** to outsourcing companies **by the payment institution, electronic money institution acting as payment service provider and payment system operator.**



Acts used:

- **EBA Guidelines on outsourcing arrangements, EBA/GL/2019/02 и**
- **Decision on externalization, National Bank of Croatia NN 118/2020, 28.10.2020**



DECISION on the manner of and the conditions for transferring the execution of important operational functions to outsourcing companies by the payment institution, the electronic money institution and the payment system operator

1. Outsourcing is a partial or complete transfer of the execution of operational functions related to the provision of payment services or the operation of a payment system to an external party based on a written agreement between a payment institution, an electronic money institution or the operator of a payment system with an external person/entity who performs operational functions related to the provision of payment services or the operation of a payment system where, without such a transfer, these operational functions would be performed by the payment service provider or the payment system operator

2. Important operational function is an operational function related to the provision of payment services or the operation of a payment system, the improper execution or interruption of which **would cause a significant impact** on the ability of the payment institution, electronic money institution or payment system operator to fulfill the conditions for obtaining a license to operate in accordance with the law, on the fulfillment of their other obligations in accordance with the Law on Payment Services and Payment Systems, on their financial results from the operation or on the proper execution or continuity of the payment services or the operation of the payment system.

Important operational functions include the operational performance of the control functions in the payment institution, the electronic money institution or the payment system operator and the activities for the execution of which a license or other type of approval from a competent government authority is required, in accordance with the law.



Procedures when using the important operational functions

1. Importance assessment

- Identify the important operational functions
- Make analysis on whether it is possible to be used by competent authority
- Make assessment and risk management
- Make due diligence

2. Notification to the NBRNM

- Notify the National Bank **no later than 90 days** prior to conclusion of the contract

3. Access right and on-site supervision

- Timely and unlimited access to systems, devices, information
- Possibility of conducting an audit
- Use of certificates, audit reports issued by third parties

4. Security of data and information;

- Ensures adherence to the applicable industrial IT standards
- The security of data in cloud is realized through adequate requirements in the contract about the data location, the data that can arise from the risk assessment and compliance with the Law on PD Protection.

5. Subcontracts

- Possibility to have subcontractors, notifying the PI (to request a permit)
- Right to cancel/terminate the contract due to increased risks of subcontracting

6. Ensuring continuity and exit strategy

- Avoiding limitation and impossibility to terminate the contract with the outsourcing entity and ensuring procedures for safe transfer of data and systems



DECISION on the manner of and the conditions for transferring the execution of important operational functions to outsourcing companies by the payment institution, the electronic money institution and the payment system operator

Transitional and Closing provisions



1. Payment institution, electronic money institution or payment system operator shall harmonize its operations with the requirements stipulated in this Decision, no later than **31.12.2023**.
2. Payment institution, electronic money institution or payment system operator is obliged to harmonize the provisions of the contract with the requirements of this Decision at first subsequent amendment of the existing contracts with outsourcing entity, but no later than 31 December 2023.
3. If the institution is not able to amend the contract with the outsourcing entity for important operational functions no later than **31 December 2023**, the payment institution, electronic money institution or payment system operator shall notify **the National Bank no later than 31 December 2023 about the possible exit strategy**.



DECISION on the security measures for operational and security risks related to payment services

Why is the Decision being introduced?

Pursuant to Article 123 paragraph 9 of the Law on Payment Services and Payment Systems, it is necessary it is necessary, with a by-law, to more closely prescribe the security measures for operational and security risks related to payment services, which payment service providers are obliged to fulfill.



What does it prescribe:

This Decision shall closely prescribe the requirements which payment service providers referred to in the Law on Payment Services and Payment Systems are obliged to fulfill.

- Establishing security measures for reducing the operational and security risks related to the payment services, through framework for operational and security risks management (identification and classification of functions, processes and assets, risk assessment, implementation of security measures)
- confirmation of the effectiveness of the established security measures by establishing a testing framework
- continuing training, support and informing of the payment service users for raising awareness of security risks in the execution of payment services.



Acts being used for the preparation:

EBA Guidelines on Security measures for Operational and Security Risks under PSD2, EBA/GL/2017/17

Transitional and Closing provisions

- The payment service providers are obliged to comply with the provisions of this Decision no later than **19 February 2024**.
- Harmonization of the existing operational risk management system in Banks, established on the basis of the Decision on the methodology for risk management, with the provisions of this Decision.
- This Decision shall enter into force on the date of publication in the Official Gazette of the Republic of North Macedonia, and shall apply from **1 January 2023**.





DECISION on the guidelines on operational and security incident classification and incident and fraud reporting



Why is the Decision being introduced?

Pursuant to **Article 123 paragraph 9** of the Law on the Payment Systems and Payment Services it is necessary to prescribe by a by-law the guidelines for the classification of operational and security incidents, as well as the method and procedure for reporting significant incidents and frauds by **payment service providers** to the National Bank.

What does it prescribe:

- guidelines on major operational or security incident classification by payment service providers accordance with the defined criteria;
- notification of major operational and security incidents and frauds to the National Bank

Prepared on the basis of the following act:

EBA Revised Guidelines on major incident reporting under PSD2, EBA/GL/2021/03.



Transitional and Closing provisions

- The payment service providers shall comply with the provisions of items 33 paragraph 3 of this Decision **no later than 19 February 2024.**
- This Decision shall enter into force on the eighth day after the date of its publication in the Official Gazette of the Republic of North Macedonia, and shall apply from **1 January 2023.**





Criteria for classification of operational security incident (PSD2 incident) - affected transactions and users

Affected transactions	<p>(> 10% of the payment service provider's regular level of transactions (in terms of number of transactions) and Service downtime > 1 hour *)</p> <p>or</p> <p>(> 31 000 000 denars (500.000 EUR € and Service downtime > 1 hour *)</p>	<p>(> 25% of the payment service provider's regular level of transactions (in terms of number of transactions)</p> <p>or</p> <p>(> 310 000 000 denars) 5.000.000 EUR €</p>
Payment services users affected	<p>(> 5.000 users and Service downtime > 1 hour *)</p> <p>or</p> <p>(>10% of the payment service provider's payment service users and Service downtime > 1 hour *)</p>	<p>(> 50 000 users)</p> <p>or</p> <p>(>25% of the payment service provider's payment service users)</p>



Decision on requirements for strong customer authentication and common, reliable and open standards of communication



Why is it being introduced and what does the Decision prescribe:

Pursuant to **Article 124 paragraph 7** and **Article 125 paragraph 3** of the Law on the Payment Services and Payment Systems, the by-laws should prescribe the following:

- **requirements for strong authentication** between account servicing payment service providers, payment initiation service providers, account information service providers, payers, payees and other payment service providers for the purposes of identification, authentication, reporting and informing, protecting the confidentiality and the integrity of the payment service user's personalized security credentials, as well as exemptions from the application of strong authentication.
- **standards for interfacing and secure communication** to be applied when interfacing the account servicing payment service provider who provide direct online access of to payment with account information service providers, payment initiation service providers and payment service providers issuing card-based payment instruments, as well as the terms under which the National Bank may facilitate the application of continuity standards.



Acts being used for the preparation:

- Regulatory technical standards for strong customer authentication and common and secure open standards of communication (27.11.2017)
- Guidelines on the conditions to benefit from an exemption from the contingency mechanism under Article 33(6) of Regulation (EU) 2018/389 (RTS on SCA & CSC) (4.12.2018)

To whom it refers:

- account servicing payment service providers,
- payment initiation service providers,
- account information service providers,
- payment service providers issuing card-based payment



D4- Strong authentication



- ✓ Authentication is a procedure which allows the payment service provider to verify the identity of a payment service user or the validity of the use of a specific payment instrument, including the use of the user personalized security credentials;
- ✓ **Strong authentication** is the verification of identity through the use of **at least** two of the following three mutually independent elements:
 - ✓ **knowledge**
 - ✓ something only the client knows - password, code, pin;
 - ✓ **possession**
 - ✓ something only the client possesses - through a device which is solely in the possession of the user, such as a SIM card linked to a smartphone, a key (token), a digital certificate, a one-time use code;
 - ✓ **inherence**
 - ✓ something the client is - through some of the unique personal biometric physical features of the user, such as fingerprint, iris, speech or face recognition, palm geometry.

D4- Strong authentication



The payment service provider **is obliged to use strong client authentication**, when the payer:

- **accesses a payment account** directly, via electronic communication network (online);
- **initiates an electronic payment transaction**, and/or
- carries out any **action** through a remote channel which may imply a **risk of payment fraud** or other misuse
- When initiating an electronic payment transaction through means of remote communication, the payment service provider is obliged to apply **strong authentication** that contains elements that **dynamically link the transaction to the amount and the payee.**

D4 - Strong authentication



Strong Customer Authentication factors



DYNAMIC LINK



- the authentication code generated is specific to the **amount of the payment transaction** and the payee agreed to by the payer when initiating the transaction;
- any change to the amount of the payment transaction or the payee results in the invalidation of the authentication code generated;
- the information displayed to the payer throughout all of the phases of the authentication including the generation, transmission and use of the authentication code.



D4 - Exemptions from the implementation of strong authentication

- **In the section pertaining to the access to the payment account if the customer only accesses** the payment account balance and if sensitive data about payment transactions in the last **90 days** are not displayed through the designated payment accounts
- **In the section of initiation of transactions:**





D4- Open banking

- ✓ Payment service providers that offer access to accounts to their customers via an electronic communication network (so-called online) must have at least **one open interface for access**, which will enable:
 - **the payment initiation service providers and/or account information service providers to be identified** to the user account servicing payment providers
 - **safe communication to exchange information** about one or more payment accounts with payment account information service providers
 - **safe communication** through which the **payment transaction will be initiated**

For payment service **user authentication** purposes, the open interface will allow account information providers and payment initiation service providers **to rely on the authentication procedures provided by the account servicing payment service providers** of the user.



DECISION on requirements for strong customer authentication and common, reliable and open standards of communication

Parties concerned:

- Submitted consultation documents from the Macedonian Banking Association (MBA), VISA and KIBS.
- In general, they requested clarification and minor, non-essential suggestions for improving the text of the Decision.
- A meeting was held (5 December 2022) with bank representatives in the premises of the MBA, at which the three decisions that also refer to banks as payment service providers were clarified in detail.



Transitional and Closing provisions

1. The payment service providers that are founded up to the date this Decision becomes applicable shall comply their operations with the requirements of this Decision not later than **19 February 2024**.

Notwithstanding paragraph 1 of this item, payment service providers that are founded up to the date this Decision becomes applicable and are account servicing, shall:

- to provide a technical platform and support, to test the connectivity and interface functionalities, confirmation of compliance with legal requirements regarding the design of the dedicated interface and summary results of testing, at least five months before the date of compliance of its operation with the requirements of this Decision, but no later than 30 September 2023
- submit report that the dedicated interface does not create obstacles to the provision of payment initiation and account information services, at least two months before the date for its operation compliance with the requirements set out in this Decision, no later than **31 December 2023**;
- submit summary of the results of the resilience stress-testing, as well as specify how the identified weaknesses have been solved, at least one month before the date of its compliance with the requirements set out in this Decision, no later than **31 January 2024**.

2. This Decision shall enter into force on the eighth day after the date of its publication in the Official Gazette of the Republic of North Macedonia and shall apply from **1 January 2023**.

