

A quarterly newsletter published by the Twinning Project "Strengthening the institutional capacity of the National Bank of the Republic of North Macedonia in the process of its accession to the ESCB" – a project funded by the European Union

❖ What happened between 15 December 2019 and 14 March 2020?

Component 1:

PAYMENT SERVICES AND SYSTEMS

In the second quarter of the project, **two expert mission** were conducted.

Within the first activity *Strengthening of the institutional capacity in the area of anti-money laundering and combating the financing of terrorism (AML/CFT)*, two experts from the Bank of Lithuania presented their experience and best practices of the ECB and other EU central banks regarding the AML/CFT. The current AML/CFT on-site inspection carried out by the NBRNM was analyzed to identify the shortcomings in the current process and therefore relevant recommendations were given.

The second mission was held by an expert from the Bank of Lithuania, focusing on **payment institutions and electronic money institutions licensing**. The current national regulatory provisions of the Republic of North Macedonia and procedures of the NBRNM with regard to PSD2 were analyzed, identifying problems in the current process and regulations. Topics discussed during the meetings included: EU regulations related to authorizations of payment institutions and electronic money institutions, including procedures for licensing, approvals of members of the management bodies, approvals of acquisitions, rejection of applications, withdrawal of licenses and other authorization-related procedures. Experience of the Republic of Lithuania and of the BL was shared with regard to transposition of the abovementioned EU regulations and respective European Banking Authority's Guidelines. Training with a focus on several key aspects of authorization procedures (including assessment of business models, plan of activities, proposed members of management bodies, shareholders, rejections and withdrawals) was provided.



Picture 1.

After five days of hard work on two February missions, for Component 1 and Component 2, Lithuanian expert for payment institutions and electronic money institutions licensing and supervisory assessment of various collective investment schemes in the licensing and acquisition procedures, Mr Karolis Masiliunas with colleagues from the NBRNM Supervision Department, at a farewell dinner.

Component 2:

BANKING REGULATION AND SUPERVISION

In the second quarter of the project, **three expert missions** were conducted under this component.

Within the first activity *Development of conditions for improved collection of claims, improved NPL management and resolution and improved overall risk management in banks*, a mission was conducted by an expert from the Bank of Greece. The current position was analyzed, gaps were identified and recommendations were agreed. Topics covered included NPLs resolution strategies, impediments to NPLs resolution, demand-supply side and structural impediments, underlying bank practices and governance, role of macro-prudential policy, as well as dealing with drivers of system-wide increases of NPLs.

The second mission conducted in this quarter (by an expert from the Bank of Lithuania) was focused on the **assessment of various collective investment schemes in the licensing and acquisition procedures**. During the presentations, a detailed information was provided and discussed in relation to the assessment of qualifying shareholder, specific acquirers such as investment companies, venture capital firms, trusts and other investment schemes.

The third mission was conducted by experts from De Nederlandsche Bank and Bundesbank, with the ultimate goal of **developing an internal ILAAP assessment methodology** for the NBRNM. The experts have gathered a good understanding of the features of the local banking sector as well as of the supervisory approach for assessing liquidity risk and future ILAAP. The supervisors (both on-site and off-site) from the NBRNM have been briefed regarding the approaches for assessing ILAAP and the integration into the overall SREP process in the Netherlands and in the SSM as well as for conducting on-site supervisions in Germany. It was agreed that the next mission will only focus on the ILAAP assessment from an off-site perspective.

Picture 2.

Experts from Croatia, Mr Nikola Ljubic Karanovic and Ms Srebrenka Gudan, expert from Romania, Ms Camelia Neagu, with their Macedonian colleagues from the Financial Accounts Statistics Unit within the Statistics Department, during their work on the January mission on financial accounts of the financial corporations sector.



Component 3:

FINANCIAL ACCOUNTS STATISTICS

In this quarter, **one expert mission** was carried out. It was held by experts from the Croatian National Bank and the Bank of Romania.

This was the second mission under the activity *Support to further alignment of NBRNM's Financial Accounts Statistics with ESCB/ECB standards* focused on **financial accounts of the financial corporations sector**. During this mission, experts performed *current state of play* analysis and gave recommendations for improvement of the financial accounts compilation procedures of the financial corporations sector. They also shared the EU MS's best experiences on the working procedures for compilation of financial accounts. Additionally, a meeting was held with representatives from the State Statistical Office and the Ministry of Finance of the Republic of North Macedonia, about the aforementioned issues.

Component 4

KNOW – HOW IN POLICY ANALYSIS

In the second project quarter, there were no missions conducted under this component.

IMPORTANT NOTE:

The well-being and health of all project participants are of the utmost importance. Taking this priority into consideration, some of the activities planned for this quarter were postponed. More precisely, three missions were postponed due to the worldwide Covid-19 pandemic, one mission in each of the Components: 1, 2 and 4.

Also, due to the pandemic, EUD accepted the proposal of the project leaders to temporary suspend the project for probable duration of 3 months, starting 1 April 2020.

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