



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

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Pursuant to Article 47 paragraph 1 item 6 and in accordance with Article 6 paragraph 2 and Article 22 of the Law on the National Bank of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 158/10, 123/12 and 43/14), the National Bank of the Republic of Macedonia Council adopted the following

### **DECISION on the credit of last resort**

#### **I. General provisions**

1. With this Decision, the National Bank of the Republic of Macedonia (hereinafter referred to as: National Bank) sets forth the terms and the method of approval and repayment of the credit of last resort, and the types and the value of the instruments used as collateral.

#### **II. Terms for approving the credit of last resort**

2. The credit of last resort shall be approved for improving bank's liquidity, in order to maintain the stability of the financial system.

The credit from paragraph 1 of this item shall be approved to a bank which:

- is solvent, and
- is unable to provide liquidity through other sources.

3. The credit of last resort shall be approved in denars, with a maturity of up to 90 calendar days, which may be extended by another 90 calendar days upon request of the bank.

4. The National Bank charges interest on the approved credit of last resort, at an interest rate that is obtained by adding three percentage points to the key interest rate used at the open market operations of the National Bank, which is valid at the time of approval of the credit of last resort, i.e. on the date of its extension.

5. The National Bank and the bank shall regulate the mutual rights and obligations by signing an agreement for a credit of last resort.

The agreement for a credit of last resort shall also govern the type of collateral acceptable for the National Bank.

#### **III. Method of approval and extension of the credit of last resort**

6. The bank shall submit a request to the Governor of the National Bank for using a credit of last resort, along with a program of measures, including:

- amount and maturity of the credit of last resort,
- instruments used as a collateral for the credit of last resort and appropriate documentation for verification of ownership,
- reasons behind the need for using a credit of last resort,

- most recent data on the structure of the credit exposure by risk category, by individual exposure and by type of collateral,
- projection of the interest income and expenses, and the financial results for the next 180 days,
- report on the capital adequacy, which is not older than one month,
- projections of the capital adequacy ratio for at least 180 days, in line with the SS and AK forms of the NBRM's Decision on the methodology for determining the capital adequacy,
- plan for addressing liquidity problems,
- projection of expected inflows and outflows of funds in the next 180 days, in line with Form 1, which is an integral part of this Decision,
- sources of funds the bank intends to use to repay the credit of last resort on the day of maturity.

The National Bank may require other, additional data from the bank, in order to assess its financial standing.

7. The National Bank shall evaluate the financial standing of the bank and decide on the credit of last resort, on which it shall inform the bank in writing.

The approval of the credit of last resort may be accompanied by additional measures that are undertaken by the Governor of the National Bank.

8. The extension of the maturity of the credit of last resort shall be performed in the manner specified in items 6 and 7 of this Decision.

#### **IV. Instruments used as collateral for the credit of last resort**

9. Instruments used as collateral for the credit of last resort that are accepted by the National Bank shall be the following:

- debt securities,
- foreign currency,
- bank's claims on the National Bank.

The National Bank may approve a credit of last resort also by accepting other collateral (bank's claims on clients), if the bank does not have at its disposal the instruments stipulated under paragraph 1 of this item.

Notwithstanding paragraphs 1 and 2 of this item, the National Bank may approve a credit of last resort also on the basis of a guarantee of the Republic of Macedonia.

10. The National Bank shall apply a margin ratio on the price/value of the instruments used as collateral, where the collateral is in the form of debt securities and/or other instruments (bank's claims on clients).

For the duration of the credit of last resort, the National Bank shall monitor the value of the instruments from item 9 paragraph 1 indent 1 of this Decision on a daily basis and the value of the instruments from item 9 paragraph 2 of this Decision on a monthly basis.

If the ratio between the value of all instruments used as collateral and approved funds drops below the specified margin ratios, the National Bank shall be entitled to require margin in funds and/or appropriate collateral.

Margin ratios shall be established in the List of margin ratios of the instruments used as collateral for the credit of last resort, adopted by the Governor of the National Bank.

11. The National Bank may refuse certain collateral and/or apply certain quantitative restrictions.

*Credit of last resort backed by debt securities, foreign currencies and bank's claims on the National Bank*

12. Debt securities that may be used as collateral for the credit of last resort shall be the following asset items:

- securities issued by the National Bank,
- securities issued or backed by a guarantee of the Republic of Macedonia,
- securities issued by any other government authority in the Republic of Macedonia, public enterprises and public institutions in the Republic of Macedonia, trade companies established by the Republic of Macedonia or in which the Republic of Macedonia is the majority shareholder, municipal authorities in the Republic of Macedonia, municipalities of the City of Skopje and the City of Skopje, subject to a risk weight of up to 20%, according to the National Bank's Decision on the methodology for determining the capital adequacy,
- securities issued by other central governments, public institutions in other countries, local government and regional authorities of other countries, multilateral development banks and international organizations, subject to a risk weight of up to 20%, according to the National Bank's Decision on the methodology for determining the capital adequacy.

The residual maturity of the debt securities that are accepted as collateral for the credit of last resort should be longer than the maturity of the credit of last resort.

13. When the credit of last resort is backed by debt securities by concluding repo transactions, in accordance with the general repo-agreement, the settlement of repo transactions with securities pursuant to item 12 paragraph 1 indents 1, 2 and 3 shall be made in accordance with the rules and standards defined by the National Bank, as follows:

- General repo agreement,
- Rules on the method and procedure for trading and settlement of transactions in securities on the OTC markets,
- Standard for the purpose and format of the messages in the Matching System,
- Standard for the purpose and format of the messages in the MIPS, and
- Guidelines for the settlement of transactions in CB bills issued.

14. In the settlement of repo transactions in the securities from item 12 paragraph 1 indent 4 the National Bank shall disburse the funds for the credit of last resort after the bank transfers its securities to the account of the National Bank abroad.

15. The credit of last resort backed by foreign currency used as collateral shall be approved by concluding a swap transaction.

On the date of approval of the credit of last resort, the National Bank shall purchase euros for denars by applying a spot rate equal to the listed bid rate of the National Bank.

Forward transaction shall be executed on the maturity date of the credit of last resort, when the National Bank shall sell euros for denars by applying the forward rate, calculated by adding swap points to the spot rate.

Swap points shall be determined on the basis of the interest rate on the credit of last resort.

*Credit of last resort backed by other instruments used as collateral (bank's claims on clients)*

16. Other instruments used as collateral under item 9 paragraph 2 of this Decision shall include:

16.1. Claims backed by first class collateral specified in the regulations of the National Bank for credit risk management, which are classified in A risk category as specified by the National Bank regulations for credit risk management and whose residual maturity on the date of approval of the credit of last resort is longer than the maturity of the credit of last resort.

16.2. Claims in the amount backed by a residential building or commercial property that meets the National Bank regulations for credit risk management for including the collateral in determining the present value of the expected future cash flows, if:

- the amount of claim is within the following limits: from Denar 600 thousand to Denar 60 million,
- the bank classified the claim in the A risk category in accordance with the National Bank regulations for credit risk management,
- the client whose claim is accepted as collateral is, on average, classified in A or B risk category, at the level of the banking system of the Republic of Macedonia under the Credit Registry of the National Bank,
- the residual maturity of the claim exceeds the maturity of the credit in last resort, but not more than 15 years from the maturity of this credit,
- the agreement underlying the bank's claim does not prescribe any ban or restriction for the transfer of the claim and the collateral for such claim.

16.3. Claims on the Republic of Macedonia and claims backed by pledge of claims on the Republic of Macedonia and whose residual maturity on the date of approval of the credit of last resort exceeds the maturity of the credit of last resort, where the bank owns proper documentation for the pledge in accordance with a law, the pledge is recorded in the pledge register and is first in the line of repayment relative to other pledge recipients.

Claims on the Republic of Macedonia under paragraph 1 of this item, shall denote claims on the central government, public institutions which, according to the regulations of the National Bank on the methodology for determining the capital adequacy are treated as central government, and local government in the Republic of Macedonia.

17. Claims under item 16 of this Decision should meet the prescribed criteria during the entire period of use of the credit of last resort.

For the purposes of determining and monitoring the value of the other instruments used as collateral pursuant to item 9 paragraph 2 of this Decision, the bank shall submit Form 2 and Form 3 to the National Bank, which are an integral part of this Decision.

The Bank is required to submit the Forms from paragraph 2 of this item:

- together with the request from item 6 of this Decision, at the time of approval and extension of the credit of last resort, and
- on a monthly basis, within eight days after the end of the reporting month, throughout the entire period of use of the credit of last resort.

*Credit of last resort backed by a guarantee of the Republic of Macedonia*

18. In case of potential financial crisis or financial crisis that could jeopardize or has jeopardized the financial system stability, the National Bank may also approve a credit of last resort backed by a guarantee of the Republic of Macedonia.

The guarantee of the Republic of Macedonia shall refer to the amount of the credit of last resort, including the interest.

**V. Repayment of the credit of last resort and penalty provisions**

19. On the date the credit of last resort falls due, the bank shall repay the credit of last resort to the National Bank, including the interest.

The bank may repay the credit of last resort before the maturity date, of which it shall inform the National Bank in writing.

20. If the bank fails to meet or partially meets the obligations arising from this Decision, the National Bank shall calculate and charge legally prescribed penalty interest and has the right to dispose of the collateral deposited for the credit of last resort.

**VI. Final provisions**

21. All costs incurred during the procedure for approving and providing collateral for the credit of last resort and its disbursement shall be borne by the bank.

22. Once this Decision enters into force, it shall supersede the Decision on the credit of last resort (Official Gazette of the Republic of Macedonia No. 126/11).

23. This Decision shall enter into force on the eighth day from the day of its publication in the Official Gazette of the Republic of Macedonia.

**D No. 02-15/IV-5/2015**  
**30 April 2015**  
**Skopje**

**Dimitar Bogov**  
**Governor**  
  
**Chairman**  
**of the National Bank of the Republic of**  
**Macedonia Council**