



**National Bank of the Republic of Macedonia**

**Rules for the Manner and the Procedure for Trade in and Settlement  
of Securities Transactions on the Over-the-Counter Markets**

Pursuant to Article 47 paragraph 1 item 6 of the Law on the National Bank of the Republic of Macedonia ("Official Gazette of the Republic of Macedonia", no. 158/2010), and in accordance with Article 72 paragraph 3 of the Law on Securities ("Official Gazette of the Republic of Macedonia" no. 95/2005, 25/2007, 7/2008 and 57/2010) the National Bank of the Republic of Macedonia Council, in cooperation with the Ministry of Finance of the Republic of Macedonia, adopted the following

## **Rules for the manner and the procedure for trade in and settlement of securities transactions on the over-the-counter markets**

### **I General provisions**

#### Article 1

These Rules set out the manner and the procedure for trade in and settlement of securities transactions on the over-the-counter markets (OTC Markets).

#### Article 2

The abbreviations used in these Rules shall denote the following:

<b>NBRM:</b>	National Bank of the Republic of Macedonia
<b>MIPS:</b>	Macedonian Interbank Payment System of the NBRM
<b>CSD:</b>	Central Securities Depository

The terms used in these Rules shall denote:

<b>Over-the-counter - OTC Markets:</b>	markets organized by NBRM, in cooperation with the Ministry of Finance, on which purchase and sale of short-term securities and Government bonds (other than bonds issued for payment of foreign currency deposits of citizens and denationalization bonds) are performed and realization of repo agreements
<b>Outright transaction:</b>	purchase and sale of securities, without any obligation for their resale or repurchase
<b>Repo transaction:</b>	prompt sale/purchase of securities with an obligation for repurchase/resale of such or equivalent securities

<b>Clean price:</b>	is a price negotiated between the buyer and the seller at the conclusion of coupon securities transactions, not containing the accumulated interest from the beginning of the coupon period of trading to the transaction settlement date.
<b>Dirty price:</b>	is a price containing the clean price and the accumulated interest from the beginning of the coupon period of trading to the transaction settlement date.
<b>Matching System:</b>	NBRM's electronic system for matching messages for transfer of ownership of securities
<b>Special settlement account:</b>	participant's account in the MIPS used for settlement of securities transactions concluded on the OTC Markets
<b>CSD Account in MIPS:</b>	an account on which the CSD temporarily transfers funds from the account of the bank buyer/of the buyer in order to eventually transfer them on the account of the bank seller/of the seller
<b>ISIN (International Securities Identification Number):</b>	international identification code, assigned by the CSD to the securities issued on the financial markets.
<b>Delivery Versus Payment (DVP) -</b>	Principle of settlement which provides final transfer of ownership of securities with simultaneous transfer of funds
<b>Working day:</b>	day of executing the payments through the MIPS

## **II. Trade in securities on the OTC Markets**

### Article 3

Trade in securities on the OTC Markets implies purchase and sale of securities outside the Stock Exchange agreed between the buyer and the seller.

### Article 4

A buyer or a seller of securities on the OTC Markets is any legal entity and natural person.

## Article 5

The trade in securities on the OTC Markets is carried out only with registered securities.

No security shall be traded in on the OTC markets during the working day before the maturity date of the nominal amount of securities.

## Article 6

The buyer and the seller shall negotiate the purchase and sale of securities on the OTC Markets by direct contact, by telephone, electronic communication or by other communication media.

In case of direct negotiating, purchase and sale contract shall be concluded by the buyer and the seller.

In case of negotiating by telephone, electronic communication or other media, the buyer and the seller shall exchange a confirmation or conclude a ticket, which shall be legally binding as the purchase and sale agreement.

## Article 7

The buyer and the seller shall negotiate all essential elements of the purchase and sale transaction, as follows:

- type of transaction (outright or repo transaction);
- ISIN of securities;
- nominal amount;
- price;
- date of conclusion;
- date and time of settlement,
- securities accounts in the CSD,
- bank accounts.

In the conclusion of outright transactions with coupon securities, the buyer and the seller shall negotiate a clean price and calculate a dirty price.

In the conclusion of repo transactions, the buyer and the seller shall negotiate all essential elements under the *General Repo Agreement*.

## Article 8

In case of a first contact between the buyer and the seller regarding the purchase and sale of securities on over the counter markets, they shall exchange data necessary for mutual identification (contact persons, telephone numbers, fax, address, etc).

Any change in the data referred to in paragraph 1 of this Article, shall be reported to the counterparty.

#### Article 9

The banks managing with Tenfore Banking Package information system shall quote buying and selling prices of Government securities every working day from 9:00 a.m. to 4:00 p.m.

The banks shall quote buying and selling prices (for securities they possess) for each maturity, minimum for the Government securities from the last issue.

The listed prices shall be applied for transactions up to Denar 1,000,000.00. If the transaction amount exceeds Denar 1,000,000.00, the counterparties shall agree on the transaction price. The quoted prices of the Government securities shall be published on the web site of the NBRM.

### **III Settlement of securities transactions on OTC Markets**

#### Article 10

The settlement of securities transactions on OTC markets shall be an ultimate transfer of ownership of securities to the CSD, with simultaneous transfer of funds to the MIPS, by the Delivery versus Payment principle.

#### Article 11

Participants in the settlement of securities transactions are the banks and the NBRM, acting as a bank buyer, and a bank seller, that deliver instructions for settlement of securities transactions on its behalf and for its account.

When the buyer, or the seller is not a bank, they deliver, on a specified form, all the essential elements of the purchase and sale transaction specified in the Article 7 of these Rules to the bank required to identify the holder of the securities account in the CSD. The bank acts as a bank of the buyer, i.e. bank of the seller and delivers instructions for settlement of securities transactions on its behalf, and for the account of a client.

In the repo transactions, the buyer from the *General Repo Agreement* shall submit essential elements i.e. settlement instructions on the Purchase Date as a buyer of securities, and on the Repurchase Date as a seller of securities. The seller from the *General Repo Agreement* shall submit essential elements, i.e. settlement instructions, on the Purchase Date as a seller of securities, and on the Repurchase Date as a buyer of securities

#### Article 12

The securities transactions shall be settled through the following systems:

- MIPS - provides smooth flow of the messages for transfer of ownership of securities and enables transfer of funds;
- Matching system - provides matching of the received messages through MIPS for transfer of ownership of securities;
- CSD System - transfers the ownership of securities with simultaneous transfer of funds.

#### Article 13

The securities transactions on the OTC markets shall be settled only with registered securities.

No transaction in securities shall be settled on the OTC markets during the working day before the maturity date of the nominal amount of securities.

#### Article 14

The securities transactions on the OTC market may be settled immediately, but no later than one working day after the date of concluding the transaction.

In the repo transactions, paragraph 1 of this Article shall refer only to settlement on the Purchase Date in accordance with the *General Repo Agreement*.

#### Article 15

The participants shall submit the settlement instructions in the form of standard electronically signed messages for transfer of ownership, i.e. transfer of funds, in accordance with the *Standard for the purpose and the format of messages in the Matching System and the Standard for the purpose and the format of messages in the MIPS*.

The participants shall submit the messages referred to in paragraph 1 to the MIPS and the Matching system on the settlement date in the period from 08:00 a.m. to 05:00 p.m.

#### Article 16

As for the transfer of funds for settlement of securities transactions, the participants shall open a special account for settlement in MIPS

As for the transfer of ownership for settlement of securities transactions, the participants should be registered at CSD, in accordance with its rules.

## Article 17

The special accounts in the MIPS may be debited only by the CSD and the NBRM, from 8:00 a.m. to 5:00 p.m.

If there are funds on this account after 5:00 p.m., the NBRM shall automatically transfer them to the regular account of the participant in MIPS.

The CSD and the NBRM shall debit the special account of the participant, as specified by the Authorization for automatic debit of the account granted by the participant on the Form no. 4 of the *MIPS Rules*.

### *Sending messages for transfer of funds and transfer of ownership of securities*

## Article 18

On the settlement date, the participants shall send properly filled in messages to the MIPS and to the Matching System, in accordance with the chart (Annex 1), which is an integral part of these Rules, and in accordance with the *Standard for the purpose and the format of messages in the Matching system and the Standard for the purpose and the format of messages in the MIPS*.

When buying securities, the bank buyer/of the buyer sends a message for transfer of funds from the regular account to the bank's special settlement account in MIPS, Step (1) and a message for transfer of ownership of securities to the Matching system, Step (2a). When transferring the ownership of securities on the basis of exposure in repo transactions, the bank-buyer/of the buyer sends only message for transfer of ownership of securities.

When selling securities, the bank seller/of the seller sends a message for transfer of ownership of securities to the Matching System, Step (2b).

## Article 19

The participants may cancel the messages for transfer of ownership of securities before they are matched and sent to the CSD.

The participants may demand return of funds from the special account to the regular account for settlement in MIPS before the messages for transfer of ownership of securities are matched and sent to the CSD.

## *Matching of messages for transfer of ownership of securities*

### Article 20

The Matching System shall control the elements of the messages for transfer of ownership from steps (2a) and (2b) and shall report on errors occurred.

After the control, the Matching system compares the elements of messages for transfer of ownership from steps (2a) and (2b) and if messages are matched, it sends a uniform message for transfer of ownership to the CSD, step (3)

The control and comparison of the elements of messages for transfer of ownership from steps (2a) and (2b) is carried out in accordance with *Standard for the purpose and the format of messages in the Matching system*.

### Article 21

If the messages for transfer of ownership under steps (2a) and (2b) are not matched until the end of the period specified in paragraph 2 of Article 15 of these Rules, the messages for transfer of ownership shall be considered invalid.

In the case of errors from paragraph 1 of Article 20 and invalid messages from paragraph 1 of this Article, the transaction shall remain unsettled, and without consequences for the NBRM.

### *Settlement*

### Article 22

After the receipt of the uniform message for transfer of ownership from the Matching System, the CSD shall verify the balance on the seller's securities account.

When settling outright coupon securities transactions, the CSD shall calculate the accumulated interest from the beginning of the coupon period of trading to the transaction settlement date

Following the above verification as defined by paragraph 1 of this Article, the CSD shall check the special account of the bank buyer/of the buyer in the MIPS, on which the funds for buying securities are transferred. If the special account of the bank buyer/of the buyer in the MIPS contains enough funds for settlement, the CSD shall transfer the funds from the special account of the bank buyer/ of the buyer in the MIPS to the account of the CSD in MIPS, Step (4).



The CSD shall transfer the funds from the account of the CSD in the MIPS to the regular account of the bank seller/bank of the seller, Step (5).

At the same time, the CSD shall, by transferring the funds, transfer the ownership of securities from the seller's account to the buyer's account.

As an exception to paragraphs 3, 4 and 5 of this Article, the CSD shall transfer the ownership of securities without transferring funds, on the basis of exposure and exchange of securities in concluded repo transactions. The transfer of ownership of securities on the basis of exposure shall be made on the basis of delivered messages in accordance with the *Standard for the purpose and the format of messages in the Matching System*. The transfer of ownership on the basis of exchange of securities shall be made by submitting exchange instructions on a specified form, by the buyer and the seller to the CSD.

#### Article 23

Provided that the transaction settlement conditions referred to in paragraphs 1 and 3 of Article 22 have not been fulfilled, the settlement shall not be carried out and shall have no consequences for the CSD.

#### Article 24

The CSD shall inform the NBRM about the outcome of the settlement, Step (6).

The NBRM, through the Matching system, delivers the report from the CSD to the participants, without controlling its contents and format, step (7).

#### Article 25

The participants shall check the notice and the settlement instructions within two hours from receiving the notice referred to in Article 24 and shall, in the case of error in the elements of the messages for transfer of securities ownership, inform the NBRM by submitting an adequate documentation for the respective transaction.

On the basis of the obtained documentation, the NBRM shall notify the participants and the CSD on the manner of correcting the error. The error shall be corrected on the same working day, provided that the documentation for the respective transaction is submitted to the NBRM by 3:00 p.m., i.e. the next working day, provided that the documentation for the respective transaction is submitted to the NBRM after 3:00 p.m.

## Article 26

Interruption of the process of settlement of securities transactions on OTC markets may occur with the NBRM and the CSD due to:

- Interruption of the power supply;
- Malfunction of the communication equipment and servers;
- Vis major.

In the case any of the above mentioned risks arise, the process of settlement of securities transactions on the OTC markets shall be temporarily interrupted. The NBRM and/or CSD shall additionally notify the banks on the date and time of resuming the process of settlement of securities transactions on the OTC markets.

## **IV Reporting on securities transactions on the OTC Markets**

### Article 27

The banks shall report to the NBRM electronically on the agreed securities transactions on the OTC markets.

The banks shall submit to the NBRM, reports on concluded outright transactions with legal entities, in real time, and reports on outright transactions with natural persons and repo transactions at the end of the day. The bank - seller of securities shall submit reports on concluded repo transactions among banks. In the case the bank is not a party to any outright or repo transaction, the reports on the concluded transactions shall be submitted by the bank of the seller of securities, at the end of the day.

The banks shall submit the reports on the concluded transactions referred to in paragraph 2 of this Article on specified forms.

The banks shall keep electronic records on the concluded transactions with natural persons on specified forms.

### Article 28

The NBRM shall prepare and announce aggregated data on the concluded transactions on the OTC markets.

## **V. Closing provisions**

### Article 29

The forms referred to in Article 11, 22 and 27 (Annex 2) shall be an integral part of these Rules.

### Article 30

The Governor of the NBRM shall prescribe the *Standard for the purpose and the format of messages in the Matching System*.

### Article 31

The NBRM shall monitor the enforcement of these Rules.

The NBRM shall consult and cooperate with the market participants by holding meetings.

For the purpose of establishing and developing good market practice, the NBRM, in cooperation with the market participants, shall adopt a Code of Conduct on the OTC markets.

### Article 32

On the date of application of these Rules, the *Rules for the Manner and the Procedure for Trade in and Settlement of Securities Transactions on the Over-the-Counter Markets* ("Official Gazette of the Republic of Macedonia" no. 70/2006, 14/2007 and 160/2010) shall cease being valid.

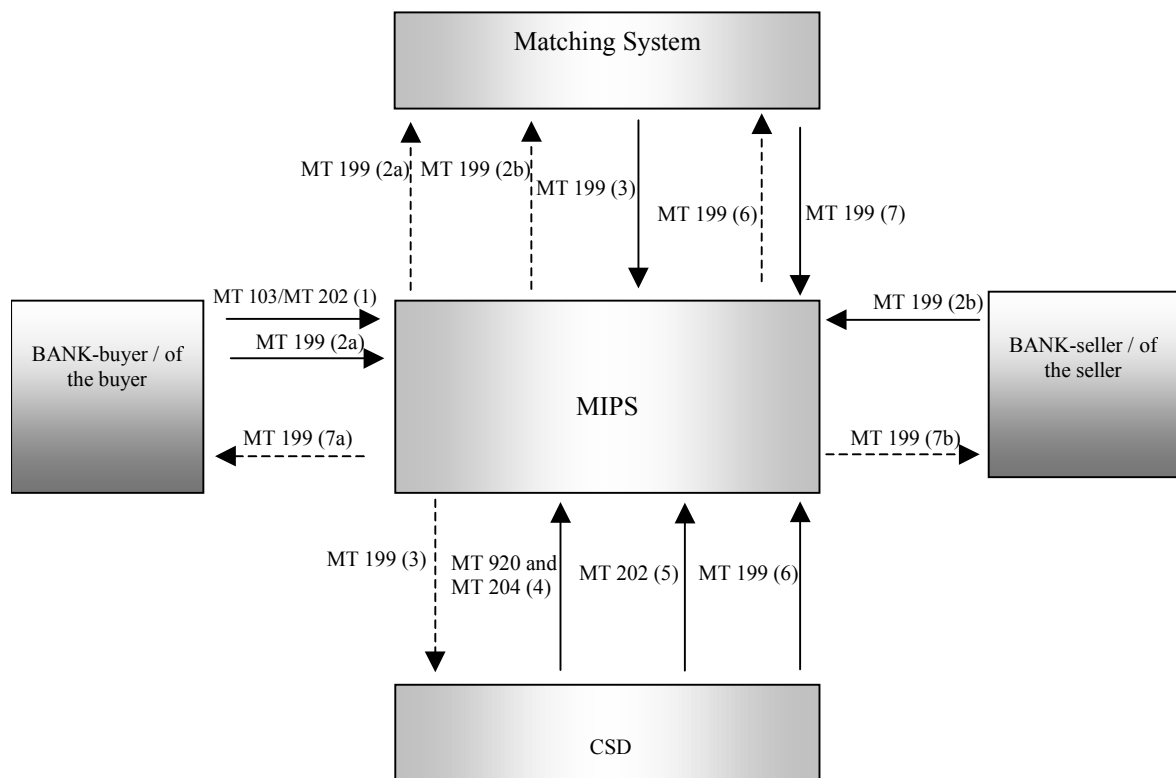
### Article 33

These Rules shall become effective eight days after its publishing in the "Official Gazette of the Republic of Macedonia".

**R. no. 02-15/VI-1/2011**  
**June 9, 2011**  
**Skopje**

**Governor  
and Chairperson  
of the National Bank  
of the Republic of Macedonia  
Council  
Dimitar Bogov**

**Annex 1.** Chart for settlement of securities transactions on the OTC Market



## Annex 2. Forms

To

Bank:  
Address  
Tel, fax

Number:  
Date:  
Place:

### INSTRUCTIONS

for settlement of securities transactions on over-the-counter markets  
submitted by the seller (buyer) to the bank

SELLER

BUYER

Name (for legal entity), name and surname (for natural person): \_\_\_\_\_

Code (National ID) \_\_\_\_\_

Address: \_\_\_\_\_

Main office (for legal entity), place of residence (for natural person): \_\_\_\_\_

State: \_\_\_\_\_

Tel./Fax: \_\_\_\_\_

Date of concluding the transaction: \_\_\_\_\_

Date and time of settling the transaction: \_\_\_\_\_

Type of transaction: \_\_\_\_\_

ISIN of securities: \_\_\_\_\_

Nominal amount: \_\_\_\_\_

Number of securities: \_\_\_\_\_

Price: \_\_\_\_\_

The following shall be filled out in outright transactions with coupon securities:

Clean price: \_\_\_\_\_

Dirty price: \_\_\_\_\_

Amount: \_\_\_\_\_

The following shall be filled out in outright transactions with coupon securities:

Clean amount: \_\_\_\_\_

Gross amount: \_\_\_\_\_

Securities account of the seller in the CSD: \_\_\_\_\_

Securities account of the buyer in the CSD: \_\_\_\_\_

Bank of settlement of the other party: \_\_\_\_\_

Bank account of the seller for transfer of funds from the sold securities (to be filled in only by the seller): \_\_\_\_\_

Bank account of the buyer for transfer of funds for the purchased securities (to be filled in only by the buyer): \_\_\_\_\_

Bank account of the buyer for payment of the securities on the maturity date (to be filled in only by the buyer): \_\_\_\_\_

Signature

\_\_\_\_\_

To  
Central Securities Depository  
Skopje

Date:

### INSTRUCTIONS

For exchange of securities on the basis of concluded repo transactions on  
over-the-counter markets

Date of concluding a repo transaction: \_\_\_\_\_

Purchase Date: \_\_\_\_\_

Repurchase Date: \_\_\_\_\_

Confirmation no. \_\_\_\_\_

Date of exchange of securities: \_\_\_\_\_

Securities account of the buyer in the CSD: \_\_\_\_\_

Securities account of the seller in the CSD: \_\_\_\_\_

Transfer from the securities account of the buyer to the securities account of  
the seller in the CSD:

ISIN of securities: \_\_\_\_\_

Nominal amount: \_\_\_\_\_

Number of securities: \_\_\_\_\_

Transfer from the securities account of the seller to the securities account of  
the buyer in the CSD:

ISIN of securities: \_\_\_\_\_

Nominal amount: \_\_\_\_\_

Number of securities: \_\_\_\_\_

Buyer:

Seller:

## Report on securities transactions conducted on the over-the-counter markets

Outright transactions and repo transactions conducted with legal entities:

Ref no.	Description	Type
1	Bank code	an(7)
2	Buyer code	an(7)
3	Seller code	an(7)
4	Type of transaction (O-outright, R-repo)	an(1)
5	Date and time of concluding	d (dd.mm.yyyy hh:mm:ss)
6	Settlement Date	d (dd.mm.yyyy)
7	ISIN	an(15)
8	Nominal amount of securities	n
9	Price*	n
10	Repo interest rate	n
11	Maturity	n

The last two fields shall be filled in only for repo transactions.

If the buyer/seller is a legal entity - non-resident, the above table shall be filled in with the following data:

Ref no.	Description	Type
12	Name of legal entity - non-resident	an(100)
13	Non-resident's nationality	an(2)
14	Address of non-resident	an(30)
15	Main office of non-resident	an(20)
16	State of non-resident	An(2)

Outright transactions conducted with natural persons:

Ref no.	Description	Type
1	Bank code	an(7)
2	Date and time of concluding	d (dd.mm.yyyy hh:mm:ss)
3	ISIN	an(15)
4	Total traded nominal amount of securities	n
5	Weighted price*	n

an- alphanumerical data

d- date/time data

n- numerical data

*BANK*  
*Address*  
*Tel, fax*

**Electronic records of transactions concluded with natural persons on OTC markets**

Ref. no.	ISIN	Days (years) to maturity	Date of concluding	Settlement Date	B (buys) / S (sells)	Name & surname of natural person	Nat.ID	Address	Nominal amount	Price*	Yield

\*In outright coupon securities transactions, the clean price shall be indicated.