



NATIONAL BANK OF THE REPUBLIC OF MACEDONIA

Pursuant to Article 16, paragraph 3 of the Law on Foreign Exchange Operations ("Official Gazette of the Republic of Macedonia" No.34/2001, 49/2001 and 103/2001) and Article 64 item 22 of the Law on the National Bank of the Republic of Macedonia ("Official Gazette of the Republic of Macedonia" No. 3/2002), the National Bank of the Republic of Macedonia Council at its CI session, held on July 6, 2002, passed the following:

DECISION

on the manner of and the conditions for conducting non-residents' operations with securities in the Republic of Macedonia

1. In order to purchase securities in the Republic of Macedonia, the non-resident should open a custodian account with an authorized bank (hereinafter: bank), except in cases of:
 - buying shares at first issue;
 - buying shares with which they acquire more than 10% of the voting rights of the joint-stock company, or more than 10% share in the equity of the joint-stock company;
 - buying debt securities in direct agreement with a known buyer (closed issue).

In order to settle the transaction, the non-resident should pay-in the necessary funds on the custodian account under paragraph 1 of this item. The bank is required to offer, the accepted foreign currency funds registered as "buying securities", for which the non-resident has not given or shall not give any statement to the bank under item 3 paragraph 2 of this Decision for purchase, first to NBRM.

The National Bank of the Republic of Macedonia buys the foreign currency funds under the previous paragraph, at the buying rate of the National Bank of the Republic of Macedonia.

2. The bank opens and manages Denar and foreign exchange custodian account of the non-resident based on an agreement for managing custodian account, concluded with the non-resident. The agreement may also contain an authorization for the bank to buy and sell securities on behalf and for the account of the non-resident on the domestic securities market, as well as to perform other services according to the regulations pertaining to the operations with securities.

The bank is required to exercise all rights that arise from the agreement on keeping custodian account;

The bank keeps records on the securities sold and bought.

3. For the value of the securities the bank is required to purchase a right for obtaining foreign currency (hereinafter: right) from the National Bank of the Republic of Macedonia, and submit written request for purchasing rights.

The bank does not buy a right, if the agreement on keeping custodian account incorporates a statement provided by the non-resident under which:

- the non-resident binds themselves that they will not alienate the securities bought for one year after the date of their recording in their favor, neither will they handle them in any other way, nor will they allow to record rights of third parties on them (ex. right of collateral);
 - the non-resident authorizes the bank to submit an order to the Central Securities Depository ordering it to record a ban on availability of these securities in favor of the bank within one year period, after the date the securities are recorded in favor of the non-resident, so that the owner of securities may not be changed, neither third-party rights may be recorded (such as rights from collateral), unless the bank gives written approval for such a transfer, i.e. recording of third-party rights, with the security holder keeping all rights from the security (such as interests and dividends);
 - the bank may allow transfer of the security, i.e. recording third-party rights on those securities prior to the expiration of the ban, only in exceptional cases (such as bankruptcy) and in case the security, under the terms stipulated in the preceding line, is alienated to another non-resident.
4. The bank must provide that the value of the purchased rights is constantly equal to at least the value of the securities, and if the value of the already purchased rights is not sufficient to cover the value of the securities, it must additionally purchase right with the National Bank of the Republic of Macedonia;
 5. The rights are with three-month duration and may be used each working day in the quarter. The rights cease after the expiration of the last day of the quarter.
 6. The premium for purchasing the right is determined by the Governor of the National Bank of the Republic of Macedonia by special Decision at least 5 working days prior to the expiration of the quarter.

The rate of settlement of the right is the selling rate of the National Bank of the Republic of Macedonia on the day the bank files an application for using that right.

7. The purchased right may be used only for foreign exchange outflow abroad when the stock of the securities in the current quarter decreases.

As for the outflows, for which the bank is given an order by the last day of the previous quarter, the bank may use the right from the previous quarter by the expiration of the third working day in the current quarter.

8. The bank is required to report the value of securities by its market value on the last day of the quarter, and then by the three working day of the next quarter to purchase the right in the amount of the determined value of the securities. The

bank values the securities, which are not quoted on the stock exchange, by their purchase price.

9. Noncompliance with the Decision and the instructions for its implementation, holds each party liable.
10. If the non-resident who, based on this Decision, is required to open a custodian account for purchasing and selling securities, or carrying out other services according to the law regulating the operations with securities, authorizes another domestic participant on the securities market (authorized participant – proxy), the non-resident, when concluding the agreement on keeping custodian account, also submits the authorization to the bank. In this case, the bank uses the funds in the custodian account only to pay off the costs which the proxy has incurred in compliance with their authorization.
11. If the non resident for the cases under item 1 of this Decision is not required to open a custodian account with the bank, the bank may, by order of the non-resident, pay-in the inflows from abroad, intended for purchasing securities, on the foreign exchange or the Denar account on which the brokerage house keeps record of the funds of the customers.
12. The funds on the custodian account of the authorized participant remain in the ownership of the foreign person, while both parties regulate their mutual relations more precisely in the agreement for keeping custodian account.
13. The Governor of the National Bank of the Republic of Macedonia regulates the implementation of this Decision more precisely, by manuals.
14. This Decision enters into force on the eighth day after the day of its publishing in the “Official Gazette of the Republic of Macedonia”, and shall be applied starting from October 15, 2002.

D. No. 02-15/CI-10/2002
July 6,2002
Skopje

President
of the National Bank
of the Republic of Macedonia Council

Ljube Trpeski
Governor