



NATIONAL BANK OF THE REPUBLIC OF MACEDONIA

Pursuant to Article 64, line 1, item 22 of the Law on the National Bank of the Republic of Macedonia ("Official Gazette of RM", No. 3/2002, 51/2003, 85/2003, 40/2004, 61/2005 and 129/2006) and Article 12 of the Law on Consumer Protection in Consumer Credit Contracts ("Official Gazette of RM", No. 63/2007), the Council of the National Bank of the Republic of Macedonia adopted the following

DECISION on the methodology for calculation of the annual percentage rate of total costs ("Official Gazette of RM" No. 105/2007)

I. GENERAL PROVISIONS

1. This Decision shall regulate the manner of calculation of the annual percentage rate of total costs (hereinafter as: PRTC) of the approved consumer credits by a consumer credit provider (hereinafter as: creditor).

Creditor shall be a bank or other trade company and individual trader, which within the frames of its registered activity approves credit or loan to the consumer.

The objective of the methodology for calculation of PRTC is to provide a unique manner of calculation of the total credit costs and comparison of the rates of total costs in choosing the most favorable conditions for use of the consumer credit.

2. PRTC is a discount rate expressed on an annual level, as a ratio between the total credit costs and the amount of approved credit, whereby the discounted cash flows per approved credit (outflows) are equalized with the discounted cash flows (inflows), based on all liabilities on the part of the consumer, related to credit (repayment of the principal and total credit costs).

3. The total credit costs, pursuant to this Decision, shall be interests, commissions, and other fees borne by the consumer, in the interest of the creditor, during the approval and regular credit repayment.

4. Cash flows based on consumer credit shall represent all payments in the interest of the creditor (inflows for the creditor) and all payments in the interest of the consumer (outflows for the creditor), according to the consumer credit contract, with maturity at a certain date. The cash flow shall include all financial transfers between the creditor and the consumer, as well as the financial transfers with third parties, if these are directly related to the credit approval, i.e. if they are part of the conditions for approval, use and credit repayment (for example, principal repayment, commission payment for credit approval, servicing fee, repayments, etc.).

All cash flows from and to third parties made for the account of the consumer (annuity payment from third party for the account of the consumer, transfer of credit amount to third party for the account of consumer, etc) shall fall within the frame of financial transfers with third parties, according to this Decision.

5. When a bank, i.e. savings house – creditor, approves consumer credit secured with money deposit, in the process of calculation of PRTC, the bank, i.e. the savings house shall be obliged to include in the calculation also the influence of the discounted financial inflows and outflows, based on that deposit.

6. When discounting the cash flows, the real (calendar) number of days in the month shall be used, and 365/366 days per year.

PRTC shall be expressed with two decimals, by approximation on the second decimal.

II. METHODOLOGY FOR CALCULATION OF PRTC

7. The methodology for calculation of PRTC shall encompass the following:

- preparation of a List of cash flows;
- manner of calculation of PRTC, and
- Publication and announcement of PRTC and other data relevant for consumer credits.

8. PRTC shall be calculated according to the crediting conditions at the moment of conclusion of the consumer credit contract.

For the purposes of calculation of PRTC, it shall be considered that the consumer credit contract is valid and that the creditor and the consumer fulfill their rights and obligations arising from the contract, under the terms and by the dates agreed.

9. In case the consumer credit contract contains clauses that allow variations in the interest rate, commissions and other fees, PRTC shall be calculated on the assumption that interest and other charges remain fixed and will apply until the end of the credit contract.

10. The creditor shall not be obliged to calculate PRTC in any of the cases prescribed by the Law on Consumer Protection, in case of consumer credit contracts.

III. LIST OF THE CASH FLOWS FOR THE PURPOSES OF PRTC CALCULATION

11. In the process of establishing the credit relation, the creditor shall be obliged to prepare a List of the cash flows, with clearly expressed PRTC, and submit the List to the consumer. The List of the cash flows (Form 1) shall be an integral part of the consumer's credit file.

Form 1 shall be an integral part of this Decision.

12. The creditor shall be obliged to provide a document proving that the consumer received the List of cash flows and that he/she is familiar with the conditions from the consumer credit contract, including PRTC. This document is incorporated in the credit file of the consumer.

13. The List of cash flows shall be prepared according to the nominal interest rate (the basic interest rate without other expenses of consumer credit) and under the assumption for regular execution of all transactions (cash flows), prescribed in the consumer credit contract.

The creditor shall be obliged to state the nominal (basic) interest rate in the List of cash flows, with remark whether it is fixed or variable. If the consumer credit contract

determines the period during which the interest rate shall be fixed, and the period during which it shall be variable, these intervals shall be mandatorily stated in the List of cash flows.

14. The foreign currency credits (approved in foreign currency) shall be expressed in the List in the currency according to the credit contract.

Consumer credits with foreign exchange clause shall be expressed in MKD in the List of cash flows, by applying the foreign exchange rate valid on the day of conclusion of the contract for consumer credit, i.e. on the day of preparation of the List of cash flows (The List of cash flows for the purposes of calculation of PRTC shall be prepared on the day of conclusion of the contract). The applied foreign exchange rate shall be mandatorily stated in the List of cash flows.

If the creditor, according to the contract, uses several foreign exchange rates during approval and collection of payment (purchase or selling foreign exchange rate of a bank, average foreign exchange rate of NBRM, etc.), the List of cash flows should include all applied rates valid on the day of preparation of the List, with note for the purpose of each of the exchange rates.

By way of derogation from paragraph 2 of this item, credits in MKD, with foreign exchange clause, may be expressed in foreign currency, if during payment and repayment of the credit the same type of foreign exchange rate is used (for example the average foreign exchange rate of NBRM).

For the purposes of calculation of PRTC of the foreign currency credits, where the commissions and fees are calculated and collected in MKD, the creditor should convert them in foreign currency, by applying the average exchange rate of NBRM, valid on the day of preparation of the List of cash flows.

15. Apart from what is prescribed in this chapter and in chapter IV of this Decision, the List of cash flows should also contain the expenses from item 17, sub-item h, paragraph 2 of this Decision, as well as the title and address of the creditor, the amount of PRTC and the date when it was calculated, seal of the creditor and signature of the competent person of the creditor.

IV. MANNER OF CALCULATION OF PRTC

16. PRTC shall be calculated according to the List of cash flows from item 11 of this Decision.

17. In preparation of the List of cash flows from item 16 of this Decision, the following rules shall be applied:

- a) In column No. 1 “ordinal number”, the ordinal number of the date of certain cash flow shall be inserted. Ordinal No. 0 (zero) denotes the date of execution of the first cash flow (collection of commission, approved credit, etc). The last ordinal number shall be related to the date of conducting the last cash flow;
- b) In column No. 2 „Date of cash flow“, the date of certain cash flow shall be inserted. For the purposes of calculation of PRTC, in case of credits withdrawn in installments, the creditor should require from the client to state the planned dates of withdrawal of the installments;

c) In column No. 3 „Credit disbursement”, the amount of the credit, i.e. the part of the credit (installment) is inserted, which should be paid by the creditor, on the date stated in column No. 2;

d) Column No. 4 „Other disbursements” shall include other possible amounts that the creditor should disburse according to the consumer credit contract, except for the disbursements on the basis of the financial deposit that serves as a security for the credit – if the creditor is a bank or a savings house;

e) Column No. 5 „Annuity” shall include the amount of annuities paid by the consumer, pursuant to the stated dates of maturity. The List of cash flows should mandatorily incorporate the elements of annuity;

f) Column No. 6 „Repayment” shall include the amount of the principal that is part of the respective annuity;

g) Column No. 7 “Interest” shall include the amount of the interest which is part of the respective annuity, as well as the amount of the interim interest;

h) Column No. 8 “Other fees” shall include all other fees, i.e. payments borne by the consumer, according to the consumer credit contract. The term other payments shall include all payments directly related to the terms for use of the credit, and which are borne by the consumer and are included in the calculation of PRTC, and they are as follows:

- commission for processing of the credit application;
- commission for approval of the credit;
- commission for credit administration (keeping record, statements, etc.)
- commission for keeping the security instrument (pledge);
- other commissions and fees directly related to the credit, paid for the account of the creditor.

The PRTC calculation shall not include the following:

- costs related to non-fulfillment or delayed fulfillment of the obligations from the consumer credit contract;
- costs for transfer of the credit amount (payment operations);
- costs, except for the purchase price, paid by the consumer when purchasing the goods or using the services, regardless of whether payment is conducted in cash or on credit;
- membership fees and similar costs as condition for approval of the credit;
- costs for insurance or guarantee of the credit, except from those intended for securing payments in case of death, illness, disability or unemployment of the consumer, in the amount up to or less than the amount of the credit, together with the interest and other expenses preconditioning the approval of the credit;
- costs for estimation of the value of the security instrument;
- notary services;
- costs for obtaining various certificates, permits, and decisions from competent bodies;
- other costs.

i) Column No. 9 “Credit outstanding” shall include the remaining portion of the credit that should be repaid by the consumer, which is received when the credit

outstanding from the previous date (previous line in column No. 9) shall be reduced by the amount of the repaid portion of the principal (column No. 6) on the particular date, and shall be increased by the amount of the disbursed credit (Column No. 3) on the particular date;

All amounts in columns from No. 3 to No. 9 shall be stated with positive sign, regardless of whether it is cash inflow or outflow.

j) Column No. 10 "Cash flow based on security" (deposit), shall include the cash flows based on the deposit from the consumer, which is used as a security for the credit approved by a bank or savings house: payment and withdrawal of the deposit, interest upon the deposit, possible costs related to the financial deposit, etc. Inflows shall be entered with positive sign, and outflows with negative sign;

k) Column No. 11 "Description" shall include short description of the cash flow on the particular date;

l) Column No. 12 "Net cash flow" shall be the difference between the sum of the cash inflows based on repaid principal (column No. 6), collected interest (column No. 7) and other payments (column No. 8) and the sum of financial outflows, based on disbursed credit (column No. 3) and other payments (column No. 4). Net cash flow may be with positive or negative sign, where the positive sign shall be net inflow of funds for the creditor, while the negative sign shall be net outflow from the creditor on the particular date;

m) Column No. 13 "Discounted net cash flow" shall include the amount of the discounted net cash flow from column No. 12. Discount shall be conducted by using PRTC, which shall be calculated according to the following formula:

$$NCF_k \left(1 + \frac{PRTC}{100} \right)^{-\frac{d}{t}}$$

, where

NCF_k – net cash flow for the particular date - k (column No. 12);

PRTC – annual percentage rate of total costs, whereby the net cash flows are discounted and the sum of the discounted cash flows is equal to zero. PRTC shall be calculated when the remaining elements from the formula are known from the contract or in another manner;

- represents number of days from date 0 to date k , expressed in years.

PRTC shall be approximative solution to the following formula:

$$\sum_k \left[NCF_k \left(1 + \frac{PRTC}{100} \right)^{-\frac{d}{t}} \right] = 0$$

is obtained as a sum of the following three components:

- number of days from the zero date to 31.12 in the zero year, in relation to the total number of days in the year where the zero date belongs;

- the number of years from the year of the zero date until the year of the cash flow which is discounted (k), where these two years are not taken in consideration;
- the number of days as of 31.12 in the previous year (k-1) until the date of the cash flow $dat(k)$, in relation to the number of days in the year of the discounted cash flow (k), i.e.

$$\frac{\partial}{\tau} = \left[\frac{yyyy(0)31.12 - dat(0)}{\tau(0)} \right] + [yyyy(\kappa) - yyyy(0) - 1] + \left[\frac{\partial am(\kappa) - yyyy(\kappa - 1)31.12}{\tau(\kappa)} \right]$$

where,

- $\tau_0 = 1 + yyyy(0)31.12 - yyyy(0)01.01$ - number of days in the zero year (365/366);
- $\tau_{\kappa} = 1 + yyyy(\kappa)31.12 - yyyy(\kappa)01.01$ - number of days in the year of the cash flow (365/366);

$dat(0)$ is the date of the zero date,

$dat(k)$ is the date of the discounted cash flow.

In case of credits secured with deposit (credits approved exclusively by banks and savings houses), the calculated PRTC shall be additionally adjusted for the discounted inflows and outflows, based on that deposit, according to the following formula:

$$PRTC \times \frac{TDCD}{TDCD - TDFS}$$

where,

TDCD is the total amount of discounted credit disbursement, calculated according to sub-item n) from this item; while

TDFS shall be the total amount of the discounted cash flow of the security, calculated according to sub-item o) of this item.

i) Column No. 14 “Discounted credit disbursement” shall include the discounted amount of the disbursed consumer credit, for the date c . Discounting shall be conducted by use of the determined PRTC, which shall be calculated according to the following formula:

$$DCD_{\kappa} = \left[(CD_{\kappa}) \left(1 + \frac{PRTC}{100} \right)^{-\frac{d}{\tau}} \right]$$

, where

DCD_{κ} – discounted credit disbursement for date k;

CD_{κ} – credit disbursement for date k (column No. 3).

The total amount of the discounted credit disbursement (TDCD) shall be obtained as a sum of all separate discounted credit disbursements (line Total for column No. 14)

$$TDCD = \sum_{\kappa} DCD_{\kappa}$$

j) Column No. 15 „Discounted cash flow of the security“ shall include the discounted cash flow based on the security (the deposit of the consumer of the approved consumer credit exclusively by a bank or savings house). Discounting shall be conducted by use of the determined PRTC, which shall be calculated according to the following formula:

$$DFS_k = \left[(FS_k) \left(1 + \frac{PRTC}{100} \right)^{-\frac{d}{\tau}} \right]$$

, where

DFS_k – discounted flow of the security on date *k*;

FS_k – cash flow of the security (deposit) for date *k* (column No. 10).

The total amount of the discounted cash flow of the security (TDFS) shall represent a sum of all discounted flows of the security (the line Total for column No. 15)

$$TDFS = \sum_k DFS_k$$

18. PRTC and the ancillary columns No. 12, 13, 14, and 15 shall be a mandatory element of the List of cash flows, which is an integral part of the credit file of the creditor for the consumer.

By way of derogation, the ancillary columns No. 12, 13, 14 and 15 should not be included in the List of the cash flows submitted to the client.

In case of framework credits, where each withdrawal is conducted according to a special credit contract, which includes the terms under which the credit is approved, the creditor shall prepare a separate List of the cash flows, including PRTC.

If the credit is approved in several successive payments (installments), the commissions for conclusion of the credit contract or other fixed commissions related to the overall credit should be divided by the creditor according to the determined installments, proportionally to their amount and to include these commissions in the PRTC calculation.

V. DISCLOSURE AND ANNOUNCEMENT OF PRTC AND OTHER DATA RELEVANT FOR CONSUMER CREDITS

19. The creditor shall be obliged to display the calculated PRTC on a visible place in its business premises and/or to publish it on its web page.

Disclosed PRTC shall not be less visible than other data regarding the credit, which are published by the creditor. When published, the creditor shall be obliged to use the term “annual percentage rate of total costs”. When repeating this expression, the creditor may use the abbreviation “PRTC”.

20. The creditor shall be obliged to inform the consumer of the PRTC before conclusion of the credit contract.

21. Apart from PRTC, when concluding the contract, the creditor shall be obliged to inform the consumer of the following:

- credit costs, regardless of whether they are included in the PRTC calculation or not – item 17, sub-item h;
- the conditions for repayment of the credit (number of installments, amount of individual installment, period of maturity, etc.), and
- representative and comprehensive example of the amount of total credit costs and PRTC.

22. If it is not possible to calculate PRTC (it is not possible to predict dates and amounts of cash flows – such as in case of credit cards, etc), the creditor shall be obliged to inform the consumer for the remaining types of costs, directly related to use of credit (item 17, sub-item h).

VI. PRTC REPORT ON CONSUMER CREDITS

23. A bank, i.e. a savings house – creditor shall be obliged to biannually submit a Report on the annual percentage rate of total costs of consumer credits (Form 2) to NBRM. Form 2 shall be an integral part of this Decision.

24. The following rules shall apply when filling in the Report on the annual percentage rate of the total costs of consumer credits (Form 2):

- a) Column No. 1 shall contain the ordinal number. Numbers 1, 2, 3, 4, etc., shall be used for the basic types of credits, while sub-types shall be marked with the numbers 1.1, 1.2, 1.3, 2.1, 2.2, etc.
- b) Column No. 2 shall state the types of credits, where within the frames of basic types, the bank or savings house shall state the sub-types of credits, depending on the period of calculating interests, security, currency, purpose, and other criteria, according to which the bank, i.e. savings house shall determine the sub-types of credits.

Example:

- 1. All-purpose credits in MKD
 - 1.1 secured with deposit;
 - 1.2 secured with pledge.

- c) Columns No. 3 and 4 shall state the highest and lowest value of PRTC for a separate type and sub-type of credit, depending on the credit maturity.

25. The term for submission of the Report from item 23 is 15 days upon expiry of the period to which the Report pertains.

26. The bank, i.e. the savings house shall be obliged to prepare the first Report from item 23 of this Decision, as of 30.06.2008 and to submit it to the NBRM by the deadline determined in item 25 of this Decision, at the latest.

27. The National Bank may publish the Report from item 23 of this Decision.

VII. TRANSITIONAL AND FINAL PROVISIONS

28. The provisions of this Decision shall not be applied to the consumer credit contracts concluded before its implementation.

32. This Decision shall enter into force on the eighth day of its publishing in the Official Gazette of the Republic of Macedonia, and shall be valid as of 01.01 2008.

33. On the day this Decision enters into force, the Decision on calculating and publishing the effective interest rate on credits and deposits ("Official Gazette of RM, No. 117/2005) shall cease to be be valid.

D.No. 02-15/VIII-2/2007
August 29, 2007
Skopje

Petar Goshev, MSc.
Governor

President
of the National Bank of the Republic of
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