

BANK RESOLUTION LAW
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(Unofficial text)

CHAPTER I
GENERAL PROVISIONS

Subject matter
Article 1

This Law lays down:

- the rules, procedures and tools for resolution of the entities referred to in Article 2 paragraph (1) of this Law;
- the powers and responsibilities of the National Bank of the Republic of North Macedonia as a resolution authority and the powers and responsibilities of other bodies and entities in relation to resolution of the entities under Article 2 paragraph (1) of this Law;
- establishment, financing, use of funds and management of the bank resolution fund.

Application of the law
Article 2

(1) This law shall apply to:

- 1) a bank with a founding and operating license issued by the National Bank of the Republic of North Macedonia (hereinafter: the National Bank),
- 2) a financial institution with a head office in the Republic of North Macedonia which is a subsidiary of the entities referred to in items 1) and 3) of this paragraph and is covered by the supervision of those entities on a consolidated basis, in accordance with the law governing the operations of banks, and
- 3) a financial holding company, a mixed financial holding company or a mixed-activity holding company with head offices in the Republic of North Macedonia, which is a parent entity of the entity under item 1) of this paragraph.

(2) This law shall not apply to the Development Bank of North Macedonia JSCo Skopje.

(3) The law governing the operation of banks and the bylaws adopted on its basis shall apply to banks under resolution, unless otherwise regulated by this law.

Definitions
Article 3

Certain terms used in this Law shall denote the following:

1. "resolution action" shall mean adopting a decision to place a bank under resolution procedure, applying resolution tools or exercising resolution powers;
2. "shareholders" shall denote shareowners or holders of other instruments of ownership;
3. "bank" shall denote a bank as defined in the law governing the operations of banks;
4. "bank under resolution" shall denote a bank against which resolution actions is taken as provided for in this law;

5. "banking group" shall denote a banking group as defined in the law governing the operations of banks;
6. "total amount of capital buffers" shall have the meaning defined in the law governing the operations of banks;
7. "extraordinary public financial support" shall denote state aid in accordance with the regulation governing the use of state aid which is provided to preserve or restore banks' viability, liquidity or solvency;
8. "core business lines" shall denote business lines and associated services which represent material sources of revenue or profit for the bank or for a group of which a bank forms part;
9. "group" shall denote a group as defined in the law governing the operations of banks;
10. "resolution group" shall denote a resolution entity and its subsidiaries which are not resolution entities themselves and are not subsidiaries of another resolution entity;
11. "title transfer financial collateral arrangement" shall denote title transfer financial collateral arrangement as defined in the law governing financial collateral;
12. "financial collateral arrangement with pledge right" shall have the meaning defined in the law governing financial collateral;
13. "set-off arrangement" shall denote an arrangement under which two or more claims or obligations owed between the bank under resolution and a counterparty can be set off against each other;
14. "eligible liabilities" shall denote the liabilities as defined in Article 11 of this Law;
15. "debt instruments" shall denote bonds and other forms of transferable debt, instruments creating or acknowledging a debt and instruments giving rights to acquire debt instruments;
16. "additional capital requirements" shall denote higher level of Common Equity Tier I capital ratio, the Tier 1 capital ratio and/or the capital adequacy ratio prescribed by the National Bank in accordance with the law governing the operations of the banks;
17. "recipient" or "purchaser" shall denote a legal entity to which shares, other instruments of ownership, debt instruments, assets, rights or liabilities of the bank under resolution are transferred to or sold;
18. "Single Resolution Board" is a resolution authority for credit institutions in the European Union.
19. "affected creditor" shall denote a creditor whose claim relates to a liability that is reduced or converted to shares or other instruments of ownership by the exercise of the write-down or conversion power pursuant to the use of the bail-in tool;
20. "investment company" shall mean an investment company as defined in the law governing financial instruments;
21. "qualifying holding in a bank" shall have the meaning defined in the law governing the operations of banks;
22. "consolidated basis" shall denote the consolidated basis as defined in the law governing the operations of banks;
23. "credit institution" shall mean a credit institution as defined in the law governing the operations of banks;
24. "critical functions" shall denote activities, services and operations the discontinuance of which is likely to lead to the disruption of services that are essential to the real economy or to disrupt financial stability due to the size, market share, the bank's interconnectedness with other entities in the financial sector, the complexity or cross-border activities of a

- bank or a group of which a bank forms part, with particular regard to the substitutability of those activities, services and operations;
25. "emergency liquidity assistance" shall denote the provision of liquidity support by the National Bank, or any other assistance that may result in providing liquidity support by the National Bank, to a solvent bank that is facing temporary liquidity problems, in accordance with the Law on the National Bank of the Republic of North Macedonia;
 26. "persons with special rights and responsibilities" shall have the meaning defined in the law governing the operations of banks;
 27. "small client" shall denote a client of an investment company or of a bank that performs investment services and activities, and which does not meet the requirements for a professional client in the Republic of North Macedonia as regulated in the law governing financial instruments;
 28. "parent entity" shall mean a parent entity as defined in the law governing the operations of banks;
 29. "crisis prevention measure" shall denote measures for removal of deficiencies in a bank or impediments for implementation of a recovery plan and/or early intervention measures under the law governing the operations of banks, measures for removing impediments for resolvability under Article 9 of this Law and the exercise of the write down or conversion powers under Chapter IV of this Law;
 30. "crisis management measures" shall denote the resolution actions under this Law, the appointment of special managers in accordance with Article 23 of this Law or a person in accordance with Article 40 paragraph (1) and Article 59 paragraph (2) of this Law;
 31. "mixed financial holding company" shall denote the meaning defined in the law governing the operations of banks;
 32. "resolvability" shall denote a possibility to carry out bankruptcy or liquidation proceeding in a bank, or applying resolution actions, pursuant to the conditions in Article 8 of this Law;
 33. "competent supervisory authority" shall denote a body authorized by law to supervise credit institutions and/or investment companies. In the Republic of North Macedonia, the National Bank is the competent authority for bank supervision;
 34. "competent supervisory authority on consolidated basis" shall have the meaning defined in the law governing the operations of banks;
 35. "resolution authority" shall mean a body authorized by law for resolution of banks, i.e. for resolution of credit institutions or other financial institutions. In this law, when the National Bank is mentioned, it means the National Bank as the resolution authority, except when it is expressly determined that the National Bank is meant as the competent supervisory authority;
 36. "resolution entity" shall denote a bank in respect of which the resolution plan under Articles 5 or 6 of this Law provides for resolution action or a legal entity with a head office in the Republic of North Macedonia in respect of which the banking group resolution plan under Article 7 of this Law provides for resolution action;
 37. "netting arrangement" shall denote an arrangement under which a number of claims or liabilities can be converted into a single net claim, which includes closing netting provisions whereby upon the occurrence of an enforcement event (however defined), the obligations of the counterparties become immediately due or cease, and in each case are converted into a single net claim, including "set-off" in accordance with the financial collateral legislation and "netting" in accordance with the law governing payment services and payment systems;

38. "bail-inable liabilities" shall denote the liabilities and capital instruments that do not qualify as Common Equity Tier 1, Additional Tier 1 or Tier 2 instruments, and that are not excluded from the scope of bail-in tool in accordance with this Law;
39. "secured liabilities" shall denote liabilities where the right of the creditor to payment or other form of performance is secured by a charge, pledge or financial collateral arrangements including liabilities arising from repurchase agreements and other title transfer collateral arrangements;
40. "payment system operator" shall have the meaning defined in the law regulating payment services and payment systems";
41. "eligible deposits" shall denote the deposits that are subject to protection in accordance with the law that governs the deposit insurance;
42. "cash and other assets of bank's client" shall denote the cash and other client's assets held or managed by the bank on behalf and on account of the client;
43. "subsidiary" shall have the meaning defined in the law governing the operations of banks;
44. "covered deposits" shall denote eligible deposits that do not exceed the coverage level in accordance with the law governing the deposit protection;
45. "covered bonds" shall denote debt securities covered by exposures which form part of the bank's assets. Purchasers of covered bonds have priority in the collection of claims based on which the covered bonds are issued in the event when the issuer of the bond does not fulfil its liabilities;
46. "termination right" shall denote the right to terminate or withdraw from a contract, early fulfillment or set-off of obligations, and any similar provision that suspends, modifies or extinguishes a contracting party obligation or provision preventing the occurrence of an obligation that would otherwise arise from the contract;
47. "regulation governing the use of state aid" shall denote the law governing the use of state aid control in the Republic of North Macedonia and other acts implemented by the Commission for Protection of Competition for the purpose of state aid control.
48. "risk profile" shall denote a quantitative and/or qualitative overview of the level of quantifiable and non-quantifiable risks undertaken by the bank in its operations, defined in accordance with the law governing the operations of banks;
49. "working day" is any day except Saturday, Sunday and state holiday in accordance with the law governing holidays in the Republic of North Macedonia;
50. "resolution" shall denote the application of one or more resolution tools for the purpose of achieving one or more of the resolution objectives under Article 17 of this Law;
51. "bankruptcy procedure" shall denote a procedure in case of insolvency which includes partial or complete sale or liquidation of the debtor's assets and appointment of a bankruptcy trustee or liquidator which is applied to a bank in accordance with the law governing the operations of banks, excluding voluntary liquidation proceedings;
52. "foreign bank" shall have the meaning defined in the law governing the operations of banks;
53. "relevant capital instruments" for the purposes of Chapter III. Part 2 Section 5 and Chapter IV. of this Law shall denote the Additional Tier 1 instruments and Tier 2 instruments;
54. "instruments of ownership" shall denote shares in a bank, instruments that are convertible into or give the right to acquire shares or other instruments representing interest in shares or other instruments of ownership;
55. "own funds" shall have the meaning defined in the law governing the operations of banks;
56. "conversion rate" shall denote the rate at which the liabilities of a particular category are converted into a number of shares or other instruments of ownership;

57. "branch" shall have the meaning defined in the law governing the operations of banks;
58. "financial crisis" shall denote the meaning defined in the law regulating financial stability;
59. "financial derivatives" shall denote derivative financial instruments as defined in the law governing the financial instruments;
60. "financial contracts" shall denote the following types of contracts and transactions:
- a) a securities contract, including:
 - contracts for purchase, sale or loan of a security, a group or an index of securities;
 - options on a security, a group or an index of securities;
 - repurchase transactions or reverse repurchase transactions on any of those securities, group or index of securities;
 - b) commodities contracts, including:
 - contracts for purchase, sale or loan of a commodity, a group or an index of commodities for future delivery;
 - options on a commodity, group or index of commodities;
 - repurchase transactions or reverse repurchase transactions on any of those commodities, groups or indexes;
 - c) futures and forward contracts, including a contract (other than commodities contract) for the purchase, sale or transfer of commodity or property of any other type, service, right or share at an agreed price on a future date;
 - d) swap agreements, including:
 - swaps and options related to interest rates, spot transactions and other transactions in the foreign exchange market, currencies, equity instruments and equity index, debt instruments and debt index, commodities and commodities index, weather conditions, emission units or inflation;
 - total return, credit spread or credit swaps;
 - any agreements or transactions similar to the agreements and transactions from the first and second indent of this sub-item which are periodically traded in swap or derivatives market;
 - e) inter-bank borrowing agreements if the borrowing term is three months or less;
 - f) framework agreements for any contracts or transactions from sub-items a) to e) of this item.
61. "financial institution" shall have the meaning defined in the law governing the operations of banks;
62. "financial holding company" shall have the meaning defined in the law governing the operations of banks;
63. "Deposit Insurance Fund" shall denote the fund established in accordance with the law governing the deposit protection;
64. "Bank Resolution Fund" shall denote the fund established in accordance with the Article 72 of this Law;
65. "mixed activity holding company" shall have the meaning defined in the law governing operations of banks;
66. "central counterparty" shall have the meaning determined in the law governing payment services and payment systems.

Competent authority

Article 4

- (1) The National Bank is a resolution authority for banks in the Republic of North Macedonia.
- (2) The National Bank is a resolution authority for banking groups in the Republic of North Macedonia
- (3) The National Bank shall establish an appropriate internal organization to ensure operational independence and to prevent any conflict of interests in performing activities as a resolution authority (resolution function) in accordance with this Law and activities as a competent supervisory authority (supervisory function) in accordance with the law governing the operations of banks. The resolution function and supervisory function shall be performed by two separate organizational units in the National Bank.
- (4) The National Bank employees of both organizational units shall cooperate with each other in the procedures of planning, preparation and implementation of resolution actions.
- (5) The National Bank shall prescribe internally in more detail the manner of cooperation among the organizational units referred to in paragraph (4) of this Article.

CHAPTER II

PREPARATORY ACTIVITIES FOR BANK RESOLUTION

Part 1

Resolution plans

Resolution plan for a bank

Article 5

- (1) The National Bank shall draw up a resolution plan for each bank that is not part of a banking group which contains resolution actions that the National Bank may take if the bank meets the conditions for resolution under Article 19 paragraph (1) of this Law.
- (2) In the resolution plan, the National Bank shall envisage scenarios involving bank failure as a result of circumstances related to the particular bank or as a result of instability or other negative circumstances related to the entire financial system.
- (3) The resolution plan shall be reviewed and, if necessary, updated at least once a year, as well as after material changes to the organizational structure, business policy or financial position of the bank, or after other changes that may materially affect the content or the enforceability of the plan.
- (4) The bank shall immediately inform the National Bank on any changes that may affect the content or enforceability of the plan as referred in paragraph (3) of this Article.
- (5) The Bank shall provide and submit to the National Bank all information and data necessary for preparation, update and implementation of the resolution plan. At the request of the National Bank, the bank shall participate and/or assist in preparing and updating the resolution plan.
- (6) The resolution plan, with the exception of the plan under Article 6 of this Law, shall contain at least:
 - 1) a summary of the key elements of the plan;
 - 2) a summary of the material changes to the bank that have occurred after the last amendments of the resolution plan;
 - 3) an assessment of the existence of public interest;

- 4) a demonstration of how critical functions and core business lines of the bank could be separated from other functions and lines, so as to ensure their continuity in the event of fulfillment of the conditions for bank resolution under Article 19 paragraph (1) of this Law;
 - 5) an estimation of the required timeframe for executing each material part of the plan;
 - 6) a description of the assessment of resolvability carried out in accordance with Article 8 of this Law;
 - 7) a description of the measures for removal of the identified impediments to resolvability in accordance with Article 9 of this Law;
 - 8) a description of the process for determining the value and the possibilities for transferring the critical functions, core business lines and assets of the bank;
 - 9) a description of the manner for ensuring that the information and data from the bank are up to date and at the disposal at all times;
 - 10) an explanation of the possible ways of financing the resolution actions for the bank without using:
 - any extraordinary public financial support, apart from the use of funds from the resolution fund,
 - emergency liquidity assistance from the National Bank, or
 - liquidity assistance from the National Bank provided under nonstandard collateralisation, tenor and interest rate terms;
 - 11) a description of critical interdependencies;
 - 12) a description of the different resolution strategies that could be applied depending on the possible scenarios and timescales for their implementation;
 - 13) a description of the possible ways for preserving access to payment, settlement and clearing systems, as well as the assessment of the portability of clients positions;
 - 14) an analysis of the impact of the plan on the employees of the bank;
 - 15) a plan for communicating with the media and the public regarding the bank resolution;
 - 16) the minimum requirement for own funds and eligible liabilities in accordance with Article 10 of this Law and a deadline in which the bank is obliged to reach that ratio;
 - 17) a description of the essential activities and systems in the bank that are necessary for maintaining the continuity of the operational processes in the bank;
 - 18) the manner of cooperation and coordination with resolution authorities and/or competent supervisory authorities abroad regarding the resolution of the bank which is a subsidiary of a foreign bank;
 - 19) an analysis of how and when the bank may request to use National Bank's monetary policy instruments, and of the bank's assets that would be acceptable as collateral.
- (7) The National Bank shall submit to the bank a summary of the key elements of the plan, upon which the bank may submit its opinion to the National Bank, which shall be part of the resolution plan.
- (8) At the request of the National Bank, the bank shall establish and regularly update a list of financial contracts in which the bank is a contracting party and submit it to the National Bank upon its request.
- (9) The National Bank Council shall adopt a bylaw and detailing the content of the resolution plan for a bank, the simplified resolution plan under Article 6 of this Law and the banking group resolution plan under Article 7 of this Law, as well as information required under paragraph (5) of this Article and the deadlines and the manner of their submission to the National Bank.

Simplified resolution plan

Article 6

- (1) The National Bank shall draw up a simplified bank resolution plan if assessed that failure of the bank and a subsequent bankruptcy proceeding of the bank would not likely have significant adverse impact on the financial market, other banks and the financing conditions.
- (2) In the assessment under paragraph (1) of this Article, the National Bank shall take into account the criteria such as the size of the bank, the interconnectedness to other entities in the financial system, the scope and complexity of the bank's activities, the nature of its business, its risk profile and the shareholder structure, etc.
- (3) The simplified resolution plan may be updated less frequently than prescribed in Article 5 paragraph (3) of this Law.
- (4) A simplified resolution plan shall not be drawn up for banks identified as systemically important, in accordance with the law governing the operations of the banks.
- (5) The simplified resolution plan shall not prevent the National Bank, if it deems it necessary, to apply the resolution tools and powers provided by this Law.
- (6) The National Bank Council shall adopt a bylaw detailing the criteria under paragraph (2) of this Article for assessment of the impact of bank's failure on the financial market, other banks and the financing conditions.

Banking group resolution plan

Article 7

- (1) The National Bank shall draw up a resolution plan for a banking group. The banking group resolution plan shall identify the resolution entities and resolution groups.
- (2) The banking group resolution plan shall particularly provide for:
 - 1) the resolution actions that are to be taken in relation to the parent entity and to the members of the banking group;
 - 2) the resolution actions that are to be taken for the resolution entities of each resolution group and the implications of those actions on other group entities that belong to the same resolution group and on other resolution groups, when the banking group comprises more than one resolution group;
 - 3) the manner in which the resolution tools could be applied and the resolution powers exercised with respect to resolution entities in a coordinated manner, including measures to facilitate the sale of the banking group as a whole or to separate the functions or business lines provided by individual members of the banking group or the resolution group if necessary for banking group resolution, as well as a description of possible impediments to resolvability;
 - 4) the manner of cooperation and coordination with domestic or foreign competent resolution authorities and competent supervisory authorities regarding the banking group resolution, when individual members of the banking group are subject to supervision or resolution by other competent authority;
 - 5) possible ways of financing the banking group resolution actions without using:
 - any extraordinary public financial support, apart from the use of funds from the Resolution Fund;
 - emergency liquidity assistance from the National Bank; or
 - liquidity assistance from the National Bank provided under nonstandard collateralisation, tenor and interest rate terms;

- 6) minimum requirement for own funds and eligible liabilities, determined in accordance with Article 13 of this Law;
 - 7) additional measures which may be undertaken by the National Bank regarding the banking group resolution.
- (3) The banking group resolution plan shall include a description of the assessment of resolvability carried out in accordance with Article 8 of this Law.
- (4) Regarding the banking group resolution plan, Article 5 paragraphs (3), (4), (5), (7) and (8) of this Law shall be appropriately applied, whereas the obligations under Article 5 paragraphs (4) and (5) shall be performed by the parent entity established in the Republic of North Macedonia for all members of the banking group.
- (5) The National Bank shall submit to the resolution authorities of the subsidiaries which are part of the banking group to which the resolution plan refers, the information under Article 5 paragraphs (4), (5) and (7) of this Law which are relevant for those authorities.

Part 2

Resolvability of a bank

Assessment of resolvability

Article 8

- (1) When drawing up and updating the resolution plan in accordance with Articles 5 and 6 of this Law, the National Bank shall assess the resolvability of the bank.
- (2) The bank shall be deemed resolvable if it is feasible and credible to liquidate the bank under a bankruptcy proceeding or feasible and credible to apply the resolution tools and powers set in this Law, while preventing significant negative effects on the financial system and providing continuous access to bank's critical functions. The assessment of bank's resolvability cannot assume the use of:
- any extraordinary public financial support, apart from the use of funds from the Resolution Fund;
 - emergency liquidity assistance from the National Bank; or
 - liquidity assistance from the National Bank provided under nonstandard collateralisation, tenor and interest rate terms;
- (3) The banking group shall be deemed resolvable if it is feasible and credible to liquidate the members of the group under a bankruptcy proceedings or feasible and credible to apply the resolution tools and powers provided by this Law on the resolution entities of that banking group, while preventing significant negative effects on the financial system and providing continuous access to the critical functions provided by the members of the group if they can be separated in a timely manner.
- (4) The National Bank Council shall adopt a bylaw, detailing the manner of assessing bank's resolvability.
- (5) In assessing the resolvability of a banking group, paragraphs (1), (2) and (4) of this Article shall apply adequately.
- (6) If the banking group consists of several resolution groups, the assessment of resolvability shall be made for each resolution group, in accordance with the provisions of paragraphs (3) and (5) of this Article.

Removing impediments to resolvability

Article 9

(1) When, pursuant to the assessment carried out in accordance with Article 8 of this Law, the National Bank determines that there are substantive impediments to the resolvability of the bank, the National Bank shall notify the bank that it is necessary to submit proposal with measures and deadlines for removing the determined impediments.

(2) Within four months from the receipt of the notification under paragraph (1) of this Article, the bank shall submit the proposal with measures and deadlines for removing the determined impediments.

(3) As an exception to paragraph (2) of this Article, the deadline for the bank for submitting the proposal with measures shall be 14 days after the receipt of the notification, if the following impediments to the resolvability are determined:

- 1) the bank meets the minimum requirement for own fund and eligible liabilities under Article 10 of this Law, but does not meet the total amount of capital buffers, determined in accordance with the law governing the operations of banks, due to the fulfillment of the minimum requirement for own funds and eligible liabilities, or
- 2) the bank does not meet the minimum requirement for own funds and eligible liabilities determined in accordance with Articles 10 to 13 of this Law.

(4) If the National Bank assesses that the measures and deadlines proposed by the bank in accordance with paragraphs (2) and (3) of this Article are adequate, the National Bank shall, by a decision, require the bank to implement those measures within a specified deadlines.

(5) If the National Bank assesses that the measures proposed by the bank in accordance with paragraphs (2) and (3) of this Article cannot effectively reduce or remove impediments to resolvability, it may adopt a decision requiring the bank to take other measures for removing the impediments to resolvability and specify deadlines for acting upon those measures.

(6) In the cases under paragraph (5) of this Article, the National Bank may require the bank:

- 1) to revise the financial support agreement if such agreement exists within the group to which it belongs or to review the need for signing such an agreement or to sign a service agreement within the group or with third parties, in order to ensure the performance of the critical functions of the bank;
- 2) to limit its exposure to individuals and/or the total exposure;
- 3) to divest parts of the assets;
- 4) to limit or cease performance of certain activities or the initiation of new activities, the development of a new business line or introduction of a new product;
- 5) to make appropriate organizational changes in the bank and/or any member of the banking group in which the bank is a parent entity, in order to reduce the complexity of the bank and/or the group and to separate more easily the critical functions from the other functions during the bank resolution;
- 6) to issue or otherwise provide eligible liabilities in accordance with the requirements of Articles 12 or 13 of this Law;
- 7) to change the maturity of the instruments which are part of the bank's own funds, after obtaining the approval of the National Bank as a competent supervisory authority, and/or the eligible liabilities under Article 11 of this Law;
- 8) to submit additional information for the purpose of resolution, on a regular basis or in individual cases;
- 9) to take other activities for the purpose of meeting the minimum requirement for own funds and eligible liabilities in accordance with Articles 10 to 13 of this Law, including

renegotiating changes in the conditions under which the eligible liabilities, Additional Tier 1 and Tier 2 instruments has been issued.

(7) The bank shall submit a plan to the National Bank for the implementation of the measures contained in the decision under paragraph (5) of this Article, within one month after the receipt of the decision.

(8) When adopting the decision under paragraph (4) or (5) of this Article, the National Bank shall assess whether the measures are proportionate to the determined impediments to resolvability and take into account the possible negative impact of the identified impediments on the financial stability and the bank's operations, its stability and its ability to contribute to the economy.

(9) In order to provide conditions for bank resolution by applying the bail-in tool under Article 31 of this Law, the National Bank may impose the measure under paragraph (6) item 2) of this Article, to limit bank's investments in bail-inable liabilities of other banks, ie to limit receiving/issuing bail-inable liabilities of other banks, except for the banks that are members of the same group.

(10) If the resolution plan envisages the application of the bail-in tool, the National Bank shall have the right, if necessary, to adopt a decision pursuant to this Article requiring the bank to maintain at all times a sufficient amount of authorised share capital or of other Common Equity Tier 1 instruments, so that the bank is not prevented from issuing a sufficient amount of new shares or other instruments of ownership to ensure that the conversion of liabilities into shares or other instruments of ownership could be carried out effectively, in the event of exercising the powers under Article 48 paragraph (2) items 7) to 11) of this Law.

(11) In the cases under paragraph (10) of this Article, the National Bank shall assess whether the authorised share capital and/or other Common Equity Tier 1 instruments are sufficient to cover the amount under Article 36 paragraph (4) items 2) and 3) of this Law.

(12) The National Bank may require the bank to make amendments to its statute in order to remove any impediment that may limit the possibility of converting the liabilities into shares or other instruments of ownership.

(13) If serious impediments to bank resolution have been determined in accordance with paragraph (1) of this Article, the National Bank shall postpone the drawing up of the resolution plan until the decision of the National Bank under paragraph (4) or paragraph (5) of this Article has been adopted.

(14) Paragraphs (1) to (13) of this Article shall apply accordingly to the removal of the impediments to resolvability of a banking group.

Part 3

Minimum requirement for own funds and eligible liabilities

Minimum requirement for own funds and eligible liabilities

Article 10

(1) The bank shall meet at all times the minimum requirement for own funds and eligible liabilities calculated as:

- ratio between the sum of own funds and eligible liabilities that may be included in the calculation of the minimum requirement for own funds and eligible liabilities (hereinafter: the sum of own funds and eligible liabilities) and the risk-weighted assets determined in accordance with the law governing the operations of banks, and

- ratio between the sum of own funds and eligible liabilities and the exposures included in the determination of the leverage ratio, determined in accordance with the law governing the operations of banks.
- (2) When drawing up and updating the resolution plan, the National Bank shall adopt a decision on the minimum requirement for own funds and eligible liabilities for each bank or banking group, having in mind the provisions of this Article and Articles 11 to 16 of this Law, which states the deadline by which the bank shall meet the determined minimum requirement for own funds and eligible liabilities.
- (3) When adopting the decision under paragraph (2) of this Article, the National Bank shall take into account the Additional Capital requirements that the bank is required to meet, based on the law governing the operations of banks.
- (4) The National Bank shall monitor the fulfillment of the minimum requirement for own funds and eligible liabilities under paragraph (2) of this Article.
- (5) The National Bank Council shall adopt a bylaw to prescribe the manner of determining the minimum requirement for own funds and eligible liabilities, including:
- 1) defining the eligible liabilities that can be included in the calculation of the minimum requirement for own funds and eligible liabilities, having in mind the provisions of Article 11 of this Law;
 - 2) the type of documentation, the terms and the procedure of issuing prior approval under Article 11 paragraph (4) of this Law;
 - 3) the content and frequency of notification to the National Bank for the individual positions from the sum of own funds and eligible liabilities;
 - 4) the content and frequency of data and information that shall be disclosed by banks in relation to the minimum requirement for own funds and eligible liabilities;
 - 5) the manner of determining the allowed maximum distributable amount related to the sum of own funds and eligible liabilities under Article 14 of this Law as well as the type of information that the bank shall submit, in accordance with Article 14 paragraph (2) of this Law;
 - 6) the manner of determining the minimum requirement for own funds and eligible liabilities for bank that is not resolution entity, including the eligible liabilities that can be included in the fulfillment of the minimum requirement for own funds and eligible liabilities for bank that is not resolution entity under Article 13 paragraph (3) of this Law.

Eligible liabilities

Article 11

- (1) The following liabilities shall be deemed eligible liabilities and shall be included in the sum of own funds and eligible liabilities:
- 1) the instruments with remaining maturity over one year which:
 - are defined under Article 10 paragraph (5) item 1) of this Law,
 - are not excluded in accordance with paragraph (2) of this Article, and
 - do not meet the conditions for their inclusion in the Common Equity Tier 1, Additional Tier 1 and Tier 2 capital, in accordance with the law governing the operations of banks;
 - 2) Tier 2 instruments of the bank with remaining maturity of up to one year, up to the amount that does not meet the conditions for inclusion in the Tier 2 capital, in accordance with the law governing the operations of banks.
- (2) Liabilities excluded from the sum of bank's own funds and eligible liabilities shall include:
- 1) the liabilities under Article 32 paragraph (2) of this Law;

- 2) sight deposits and short-term deposits with a contractual maturity of up to one year;
 - 3) the amount of eligible deposits that exceeds the coverage level;
 - 4) deposits that would be considered eligible if they were not made through branches of the bank abroad;
 - 5) liabilities arising from financial derivatives and embedded derivatives.
- (3) For the purposes of paragraph (2) item 5) of this Article, the debt instruments that include option of early withdrawal/repayment at a sole discretion of the issuer and the debt instruments with variable interest rates related to reference interest rates, are not considered liabilities incurred from financial derivatives.
- (4) The bank shall not purchase or repay eligible liabilities that are not own funds, nor reduce their value, before their maturity, without a prior approval from the National Bank.
- (5) The bank may sell eligible liabilities to small client, only in the case of liabilities of small clients with nominal value of at least EUR 50,000 in Denar equivalent, by applying the middle exchange rate of the National Bank on the day of their sale, where the conditions for this type of investors, as prescribed by the law governing financial instruments, are met.

Determination of the minimum requirement for own funds and eligible liabilities

Article 12

- (1) When determining the minimum requirement for own funds and eligible liabilities under Article 10 of this Law, at least the following criteria shall be taken into account:
- 1) the need to enable achievement of resolution objectives by applying the appropriate resolution tools, including the bail-in tool;
 - 2) the need to enable the bank and its subsidiaries that are banks, but are not resolution entities, to have a sufficient amount of own funds and eligible liabilities to absorb losses through the bail-in tool or through write-down or conversion of relevant capital instruments and eligible liabilities, and for achieving a total capital ratio or leverage ratio at the level necessary for continuous operation of the bank in accordance with the law governing the operations of banks;
 - 3) the need to enable, if the resolution plan envisages certain types of eligible liabilities to be excluded from the application of the bail-in tool in accordance with Article 33 of this Law or to be transferred in full to a third party under partial transfer, that the bank has a sufficient amount of own funds and eligible liabilities to absorb losses and to achieve its total capital ratio or leverage ratio at the level necessary for continuous operation of the bank in accordance with the law governing the operations of banks;
 - 4) the size, the business model, the method of funding and the risk profile of the bank;
 - 5) the negative impact that the failure of the bank would have on the financial stability, as a result of the interconnectedness of the bank with other banks or with other institutions of the financial system;
 - 6) the shareholder structure of the bank and its affiliation with the other members of the group to which it belongs, especially if the bank belongs to a group abroad.
- (2) If the resolution plan for the bank provides that resolution action is to be taken or that the power to write-down or convert relevant capital instruments and eligible liabilities, in accordance with Article 43 of this Law, the sum of own funds and eligible liabilities shall be equal to the amount sufficient to ensure:
- 1) full absorption of the losses that are expected to occur (hereinafter: loss absorption amount), and

- 2) increase of the own funds of the bank and its subsidiaries that are banks, but are not resolution entities, up to a level which would enable bank's operations in accordance with the law governing the operations of banks (hereinafter: recapitalisation amount).
- (3) By way of derogation from paragraph (2) of this Article, if the resolution plan provides that the bank is to be liquidated under bankruptcy proceeding, the National Bank may determine the minimum requirement for own funds and eligible liabilities only on the basis of the amount under paragraph (2) item 1) of this Article, taking into account the impact that the bankruptcy of the bank would have on other institutions in the financial system and on the financial stability in the Republic of North Macedonia.
- (4) The recapitalisation amount shall be determined based on the latest available data on the risk weighted assets and on the exposure, adjusted for the changes in their amount resulting from resolution tools set out in the resolution plan.
- (5) When determining the recapitalisation amount, the National Bank shall take into account the necessity for the bank to sustain an adequate level of market confidence in a period of at least one year after the end of the bank's resolution, to continue to carry out the critical functions and to have access to sources of funding, after application of the relevant resolution strategy, without the need for any extraordinary public financial support, with the exception of the use of funds from the Resolution Fund in accordance with Article 34 paragraphs (2) and (6) and Article 74 paragraph (2) of this Law. When determining the recapitalisation amount required to achieve this objective the total amount of the capital buffers that the bank would be required to maintain after applying the resolution tools, reduced by the amount of the countercyclical capital buffer, shall be taken into account.
- (6) The sum of own funds and eligible liabilities for a bank which is identified as systemically important bank in accordance with the law governing the operations of banks shall be equal to at least:
- 1) 13.5% of the risk weighted assets, and
 - 2) 5% of the value of the exposure.
- (7) The National Bank may decide to apply the minimum requirement under paragraph (6) of this Article to a bank which is not a identified as systematically important banks in accordance with the law governing the operations of banks, if assess that the bank's failure may pose a risk to the financial stability in the Republic of North Macedonia.
- The decision is based on:
- the level of deposits and the level of debt instruments, as sources of funding of the bank;
 - access to the market for instruments that are considered eligible liabilities, and
 - the extent to which the bank uses the Common Equity Tier 1 capital to meet the minimum requirement for own funds and eligible liabilities under Article 10 paragraph (2) of this Law.
- (8) The sum of own funds and eligible liabilities for a bank which is not a resolution entity shall be determined by appropriate application of paragraphs (4), (5), (6) and (7) of this Article. When determining the amount of recapitalization, the amount that would be needed after the implementation of the write-down or conversion of relevant capital instruments and eligible liabilities carried out in accordance with Article 43 of this Law, shall be taken into account.

Sum of own funds and eligible liabilities on consolidated basis

Article 13

(1) The bank that is resolution entity shall be required to comply with the requirements set out in Article 12 of this Law on a consolidated basis, at the level of the resolution group.

(2) The determination of the minimum requirement for own funds and eligible liabilities for a bank that is a resolution entity on a consolidated basis, shall be made on the basis of whether subsidiaries in other countries will be subject to individual resolution, in accordance with the resolution plan.

(3) A bank that is a subsidiary of a bank that is a resolution entity or is a subsidiary of a resolution entity from another country, but is not a resolution entity itself, shall be required to comply with the requirements under Article 12 of this Law on an individual basis.

(4) As an exception to paragraph (3) of this Article, the National Bank may exclude a bank that is a subsidiary of a bank that is resolution entity from meeting the requirements under Article 12 of this Law, on an individual basis, if:

- 1) the subsidiary and the resolution entity are based in the Republic of North Macedonia and are members of the same resolution group;
- 2) the resolution entity meets the requirements under paragraph (1) of this Article;
- 3) there is no current or foreseen material practical or legal impediment to prompt transfer of own funds or repayment of liabilities of the resolution entity to the subsidiary;
- 4) the resolution entity meets the requirements of the National Bank as a competent supervisory authority for the governance system of the subsidiary and has given a written statement guaranteeing the payment of the subsidiary's liabilities;
- 5) the risk management processes performed by the resolution entity include the subsidiary.

Power to prohibit distribution of earnings

Article 14

(1) A bank that due to fulfilment of the minimum requirement for own funds and eligible liabilities under Article 10 of this Law does not meet the total capital buffer requirement determined in accordance with the law governing the operations of banks, shall determine the maximum distributable amount related to the sum of own funds and eligible liabilities.

(2) The bank under paragraph (1) of this Article shall immediately inform the National Bank on the failure to meet the total capital buffer requirement and the amount of the maximum distributable amount related to the sum of own funds and eligible liabilities, determined in accordance with this Article.

(3) The National Bank may decide to restrict the distribution of earnings for the bank under paragraph (1) of this Article, only in an amount that does not exceed the maximum distributable amount related to the sum of own funds and eligible liabilities, based on the evaluation of the following elements:

- the reason duration and the amount below, the total capital buffer requirement in accordance with paragraph (1) of this Article;
- the financial condition of the bank and the probability of meeting the conditions of Article 19 paragraph (2) of this law;
- the bank's prospects for achieving the total capital buffer requirement within a reasonable time;

- the reasons for the bank not being able to replace the liabilities that no longer meet the criteria of this Law for eligible liabilities (whether those reasons are related to conditions in the bank or are the result of market trends);
- the impact that the decision on restriction of the distribution of earnings will have on the financial situation and the possibility for bank resolution.

(4) The assessment of the elements under paragraph (3) of this Article shall be performed on a monthly basis, during the entire period of non-fulfillment of the total capital buffer requirement by the bank in accordance with paragraph (1) of this Article.

(5) If the bank continues to fail to meet the total capital buffer requirement under paragraph (1) of this Article within a period of nine months after the submission of the notification referred to in paragraph (2) of this Article, the National Bank shall adopt the decision under paragraph (3) of this Article, unless it assesses that at least two of the following criteria are met:

- 1) The non-fulfillment of the total capital buffer requirement in accordance with paragraph (1) of this Article is a result of serious disturbances to the functioning of the financial markets which causes shocks to several segments of the financial markets;
- 2) The disturbances under item 1) of this paragraph increase price volatility of capital instruments that are part of the own funds and of the instruments that are considered eligible liabilities of the bank or increase its costs, and lead to full or partial closure of financial markets thus preventing the bank from issuing these instruments on those markets;
- 3) The closure of the financial markets under item 2) of this paragraph has an adverse impact on the bank, but also on several other banks and/or financial institutions;
- 4) The disturbances under item 1) of this paragraph prevent the bank from issuing capital instruments that are part of its own funds and/or the instruments that are considered eligible liabilities in a sufficient amount to overcome the non-fulfillment of the total capital buffer requirement in accordance with paragraph (1) of this Article;
- 5) The adoption of the decision under paragraph (3) of this Article may produce negative effects on other banks, which may jeopardize the financial stability of the Republic of North Macedonia.

(6) If, based on the assessment under paragraph (5) of this Article, the National Bank decides not to adopt the decision under paragraph (3) of this Article, it shall check the fulfillment of the criteria under paragraph (5) of this Article on a monthly basis, during the entire period of non-fulfillment of the total capital buffer requirement by the bank in accordance with paragraph (1) of this Article.

(7) The distribution of earnings under paragraph (3) of this Article shall refer to:

- the distribution of earnings related to the items of the Common Equity Tier 1;
- creating an obligation for payment of variable remuneration or payment of variable remuneration if the payment obligation was created when the bank did not fulfill the required amount of capital buffers, determined in accordance with this Law, or
- making payments based on Additional Tier 1 instruments of the bank.

Breaches of the minimum requirement for own funds and eligible liabilities

Article 15

(1) The National Bank shall take activities in case of breaches of the minimum requirement for own funds and eligible liabilities prescribed in accordance with this Law.

(2) The activities under paragraph (1) of this Article include at least the measures that may be taken in accordance with Article 9 of this Law on removing impediments to resolvability,

restrictions on the distribution of earnings under Article 14 of this Law, the misdemeanors sanctions that may be imposed in accordance with this Law, as well as the measures that can be taken in accordance with the law governing the operations of banks.

(3) In the cases referred to in paragraphs (1) and (2) of this Article, the National Bank as a competent supervisory authority may initiate a procedure for assessment of the fulfillment of the conditions under Article 19 paragraph (2) of this Law.

Allowed exceptions Article 16

(1) The requirement for the levels of the sum of own funds and eligible liabilities under Article 12 paragraphs (6) and (7) of this Law shall not be applied in a period of two years after the date:

- 1) of adoption of the decision on the application of the bail-in tool;
- 2) on which the bank took measures in accordance with Article 19 paragraph (1) item 2) of this Law, by which a write-down of capital instruments or other liabilities or conversion into Common Equity Tier 1 instruments has been carried out;
- 3) on which the write-down or conversion of the relevant capital instruments and eligible liabilities in accordance with Article 43 of this Law has been carried out, if the write-down or conversion has been carried out for the purpose of bank's recapitalization, without implementing any resolution tool.

(2) The requirement for the levels of the sum of own funds and the eligible liabilities under Article 12 paragraphs (6) and (7) of this Law shall not be applied in a period of three years after the bank has met the conditions for the application of the provisions under Article 12 paragraphs (6) and (7) of this Law.

(3) The National Bank shall submit to the bank referred to in paragraphs (1) and (2) of this Article a plan with annual dynamics for reaching the minimum requirement for own funds and eligible liabilities, which the bank shall be obligated to comply with.

(4) The National Bank may revise the plan referred to in paragraph (3) of this Article and request a different dynamic for reaching the minimum requirement for own funds and eligible liabilities, which the bank shall be obligated to comply with.

CHAPTER III BANK RESOLUTION

Part 1 Initiating a procedure for bank resolution

Objectives of the resolution Article 17

(1) Bank resolution shall be carried out for the purposes of:

- 1) ensuring continuity in bank's critical functions;
- 2) avoiding a significant adverse impact on the financial system stability;
- 3) protecting public funds by minimizing the possibility of using any extraordinary public financial support;
- 4) protecting depositors whose deposits are covered;
- 5) protecting funds and other assets of bank's clients.

(2) The resolution objectives are of equal importance and when applying the resolution tools and powers, the National Bank shall balance the resolution objectives as appropriate to the circumstances of each individual case.

(3) In pursuing the resolution objectives, the National Bank shall seek to reduce the costs of resolution and to prevent any decrease in the bank's value, unless it is necessary for achieving the resolution objectives.

Principles of bank resolution

Article 18

(1) The bank resolution shall be carried out based on the following principles:

- 1) bank's shareholders bear losses first;
- 2) bank's creditors bear losses after the shareholders, in the reverse order from the order of priority of claims in a bankruptcy proceeding of a bank, unless otherwise provided by this Law;
- 3) covered deposits are fully protected;
- 4) members of the bank's supervisory board, members of the management board and/or persons with special rights and responsibilities are dismissed, unless the National Bank assesses that the retention of the existing members of the supervisory board and/or management board and/or persons with special rights and responsibilities is necessary for the achievement of resolution objectives;
- 5) the members of the supervisory and management board and the persons with special rights and responsibilities of the bank under resolution shall provide all necessary assistance for the achievement of the resolution objectives;
- 6) natural and legal persons who have contributed to the conditions in the bank and its inability to continue to operate shall have criminal and/or civil liability in accordance with the applicable regulations;
- 7) creditors of the same class shall be treated in an equitable manner, unless otherwise provided by this Law;
- 8) no creditor shall incur greater losses than would have been incurred if the bank had been wound up under bankruptcy proceeding, in accordance with the safeguards under Articles 60, 61 and 62 of this Law;
- 9) resolution action is taken in accordance with the safeguards under Chapter VII of this law.

(2) If the bank is part of a banking group, when implementing the resolution, the National Bank shall seek not to cause significant adverse effects on the other members of the group and on the stability of the financial system in the Republic of North Macedonia.

(3) When sale of business tool, bridge institution tool or asset separation tool is applied to the bank under resolution, the provisions of the law governing labor relations regarding the rights of the employees in case of transfer of company or parts thereof, shall not apply.

(4) When applying the resolution tools and powers in accordance with this Law, the provisions for providing state aid shall be implemented, if applicable.

Conditions for bank resolution

Article 19

(1) The National Bank shall initiate a bank resolution procedure if it determines that the following conditions are met:

- 1) the bank is failing or it is likely to fail, in accordance with paragraph (2) of this Article;

- 2) it is unrealistic to expect that any other measure taken by the bank or other private sector entity, measures taken in accordance with the law regulating the operation of banks or the write down or conversion of relevant capital instruments and eligible liabilities in accordance with this law, could prevent the failure of the bank within a reasonable period; and
 - 3) the bank resolution is in the public interest, in accordance with paragraph (4) of this Article.
- (2) For the purposes of paragraph (1) item 1) of this Article, it shall be deemed that the bank is failing or is likely to fail if at least one of the following conditions is met:
- 1) there are legal grounds for revoking the bank's founding and operating license in accordance with the law regulating the operations of banks or there are objective circumstances indicating that conditions for revoking bank's founding and operating license will soon be met, including but not exclusively because the bank has incurred or is likely to incur losses that will reduce all or a significant amount of its own funds;
 - 2) bank's assets are less than its liabilities or there are objective circumstances indicating that the assets will soon be less than the liabilities;
 - 3) the bank is not able, or there are objective circumstances indicating that it will soon be unable to pay its liabilities as they fall due; or
 - 4) any extraordinary public financial support is required, except when, in order to remedy serious economic disturbances and preserve financial stability, the extraordinary public financial support is provided in the form of:
 - state guarantee to back liquidity facilities provided by the National Bank according to its conditions;
 - state guarantee of newly issued liabilities of the bank; or
 - recapitalization or purchase of capital instruments, at prices and on terms that do not confer an advantage upon the bank on the market, if at the time when the extraordinary public financial support is granted neither the circumstances referred to in items 1), 2) and 3) of this paragraph nor the circumstances referred to in Article 43 paragraph (6) of this Law are present. This support shall be provided up to the amount necessary to address capital shortfall established with stress tests, asset quality reviews or similar assessments in relation to the level of own funds.
- (3) The extraordinary public financial support under paragraph (2) item 4) indents 1, 2 and 3 of this Article shall be provided to a solvent bank in accordance with the regulations governing the use of state aid. The assistance shall be of a temporary nature, proportionate to remedy the consequences of serious economic disturbances and shall not be used to offset losses that the bank has incurred or is likely to incur soon.
- (4) For the purposes of paragraph (1) item 3) of this Article, the bank's resolution shall be treated as in the public interest in case of a bank identified as a systemically important bank or if resolution in accordance with the provisions of this law is necessary for the achievement of one or more of the resolution objectives under Article 17 of this Law which could not be achieved to the same extent through a bankruptcy proceeding or liquidation of the bank.
- (5) The National Bank shall determine the existence of public interest when drawing up the resolution plan and while assessing whether the conditions under paragraph (2) of this Article are met. When assessing whether the conditions under paragraph (2) of this Article are met, the National Bank may change the conclusion regarding the public interest determined in the resolution plan and shall have no liability to revise the bank resolution plan, ie the resolution plan for a banking group.

(6) Taking of early intervention measures in accordance with the law governing the operations of the banks is not a condition for initiating a procedure for bank resolution in accordance with this Law.

(7) The members of the bank's management board shall notify the National Bank immediately, if they consider that the bank is failing or is likely to fail as per paragraph 2 of this Article.

(8) In relation to a bank for which the National Bank has determined that the conditions from paragraph (1) items 1) and 2) of this Article have been met, but that resolution would not be in public interest in accordance with paragraph (1) item 3) of this Article, the National Bank as a competent supervisory authority shall adopt a decision on revoking the bank's founding and operating license and on determining the fulfillment of the conditions for opening a bankruptcy proceeding, in accordance with the law governing the operations of the banks.

(9) When the conditions under paragraph (1) items 1) and 2) of this Article are met, the National Bank, as a competent supervisory authority or as a resolution authority shall inform:

- the Deposit Protection Agency, the Ministry of Finance and the Financial Stability Committee;
- the competent supervisory authority and the resolution authority for the parent entity of the bank in relation to which the fulfillment of the conditions under paragraph (1) items 1) and 2) of this Article has been determined;
- the competent supervisory authority and the resolution authority for each member of the banking group in relation to which the fulfillment of the conditions under paragraph (1) items 1) and 2) of this Article has been determined;
- the competent supervisory authority and the resolution authority for the entity under Article 2 paragraph (1) items 2) and 3) of this law in relation to which the fulfillment of the conditions under paragraph (1) items 1) and 2) of this Article has been determined.

Conditions for resolution with regard to a financial institution and a holding company

Article 20

(1) The National Bank may take resolution actions in relation to a financial institution referred to in Article 2 paragraph (1) item 2) of this Law if the conditions under Article 19 paragraph (1) of this Law are met with regard to the financial institution and with regard to the parent entity of the financial institution which is subject to supervision on a consolidated basis by the National Bank.

(2) The National Bank shall take resolution actions against a holding company referred to in Article 2 paragraph (1) item 3) of this Law if the conditions under Article 19 paragraph (1) of this Law are met with regard to the holding company.

Valuation for the purposes of resolution

Article 21

(1) Before taking resolution action or exercising the power to write-down or convert the capital instruments and eligible liabilities, the National Bank shall ensure that an objective and realistic valuation of the assets and liabilities of the bank is carried out by an audit company, authorized auditor or a valuer that meets the requirements for independence from the bank, any public authority and from the National Bank (hereinafter: independent valuer). The valuation that meets all the requirements of this Article shall be considered definitive valuation.

(2) If an independent valuation is not possible in accordance with paragraph (1) of this Article, the National Bank may independently perform a provisional valuation of the assets and liabilities of the bank in accordance with paragraph (11) of this Article.

(3) The purpose of the valuation shall be to assess the value of the assets and liabilities of the bank that meets the conditions under Article 19 paragraph (1) of this Law.

(4) The purposes of the valuation under paragraph (1) of this Article shall be to gain information:

- 1) to determine whether the conditions for resolution or the conditions for write down or conversion of capital instruments and eligible liabilities are met;
- 2) on the financial effects from taking different resolution actions against the bank, in case the conditions for resolution are met;
- 3) to decide on the necessary extent of shares or other instruments of ownership that should be cancelled or diluted and the necessary extent of write down or conversion of relevant capital instruments and eligible liabilities, if the power to write down or convert relevant capital instruments is applied;
- 4) to decide on the necessary extent of the write down or conversion of bail-inable liabilities, if the bail-in tool is applied;
- 5) to decide on the assets, rights, liabilities or shares or other instruments of ownership to be transferred and the value of consideration to be paid to the bank under resolution or the shareholders, if bridge institution tool or asset separation tool is applied;
- 6) to decide on the assets, rights, liabilities or shares or other instruments of ownership to be transferred and information on market conditions, if sale of business tool is applied.

(5) The valuation shall ensure that all losses of the bank are fully recognized at the moment the resolution tools are applied or the power to write-down or convert relevant capital instruments and eligible liabilities is exercised.

(6) The valuation is based on prudent assumptions, especially in relation to the amount of losses. The valuation shall not assume provision of extraordinary public financial support, emergency liquidity assistance from the National Bank, or liquidity assistance from the National Bank provided under nonstandard collateralisation, tenor and interest rate terms.

(7) The valuation shall take into account the right of the National Bank and the Resolution Fund to reimbursement of the costs incurred from the resolution, provided by the bank under resolution, in accordance with Article 24 paragraph (5) of this law, as well as the right to charge interests and fees in respect of loans or guarantees provided to the bank under resolution from the Resolution Fund, in accordance with Article 74 of this Law.

(8) The valuation report under paragraph (1) of this Article shall be supplemented by the following data as appearing in the accounting books and business records of the bank:

- 1) an updated balance sheet and income statement of the bank;
- 2) an analysis and an assessment of the accounting value of bank's assets;
- 3) a list of balance sheet and off-balance sheet liabilities shown in the accounting books of the bank, indicating the order of priority in which those liabilities would be assigned in accordance with the law governing the operations of banks and
- 4) other information relevant for the valuation.

(9) For the purpose of making the decision under paragraph (4) items 5) or 6) of this Article, the National Bank may request from the independent valuer the data referred to in paragraph (8) item 2) of this Article to be supplemented with an analysis and estimate of the market value of the bank's assets and liabilities.

(10) The valuation shall include the subdivision of the creditors in classes in accordance with their priority levels under the law governing the operations of the banks and an estimate of the treatment that each class of shareholders and creditors would have been expected to receive if

the bank is placed under a bankruptcy proceeding. The estimate shall not affect the application of the “no creditor worse off” principle in accordance with Article 61 of this Law.

(11) Where due to the urgency in the circumstances of the case, it is not possible to carry out a valuation in compliance with the requirements under paragraphs (8) and (10) of this Article or when paragraph (2) of this Article is applied, a provisional valuation shall be performed. The provisional valuation shall be performed in accordance with paragraph (3) of this Article and to the extent applicable in accordance with paragraphs (1), (8) and (10) of this Article. The provisional valuation shall also include a buffer for additional losses, with an appropriate justification.

(12) If a provisional valuation of the assets and liabilities of the bank is performed, it shall be valid until an independent valuer has carried out an ex-post definitive valuation that is fully compliant with the requirements of this Article. The National Bank shall ensure that the ex-post definitive valuation is performed as soon as practicable and it may be performed by the same entity who performed the valuation under Article 61 of this Law and at the same time as that valuation, but both valuations should be separate. As an exception, in accordance with the paragraph (14) of this Article, the National Bank is not obliged to provide an ex-post definitive valuation in the event where only sale of business tool is applied in accordance with the Article 25 of this Law.

(13) The purpose of the ex-post definitive valuation is:

- 1) all losses on the assets of the bank to be fully recognized in the books of accounts of the bank; and
- 2) to provide data for the adoption of a decision for increasing the value of creditors' claims or for increasing the value of the consideration paid in accordance with paragraph (14) of this Article.

(14) If the net asset value of the bank estimated with the ex-post definitive valuation is higher than the net asset value estimated by the provisional valuation, the National Bank may take a decision to:

- 1) increase the value of the claims of creditors or owners of relevant capital instruments which have been written down under the bail-in tool; or
- 2) instruct the bridge institution or the asset management company to pay an additional consideration to the bank under resolution in respect of the transferred assets, rights and liabilities, or as the case may be, to pay an additional consideration to the shareholders in respect of the shares or other instruments of ownership.

(15) The National Bank may, based on provisional valuation under paragraph (11) of this Article, take resolution action or exercise write down or conversion powers in relation to the relevant capital instruments and eligible liabilities, in accordance with Article 43 paragraph (1) of this Law, including taking control of the bank under resolution, in accordance with Article 59 of this Law.

(16) The valuation is an integral part of the decision to initiate bank resolution procedure, to apply the resolution tools or to exercise the write-down or conversion powers in relation to the relevant capital instruments and eligible liabilities.

(17) The valuation can only be appealed within the lawsuit filed against the decision under paragraph (16) of this Article.

(18) The National Bank Council shall adopt a bylaw, detailing the methodology for performing the valuation for the purposes of bank resolution and/or write down or conversion of capital instruments and eligible liabilities and the independence requirements for the independent valuer which may perform the valuation.

Decision to initiate a bank resolution procedure

Article 22

(1) If the conditions under Article 19 paragraph (1) of this Law are met, the National Bank shall adopt a decision on initiating a bank resolution procedure, which shall contain:

- 1) the reasons for determining that the conditions for resolution are met, including the results of the valuation for the purposes of resolution;
- 2) the resolution actions which the National Bank intends to take;
- 3) the day and the exact time of starting the resolution of the bank.

(2) The decision for initiation of a bank resolution procedure shall be submitted to the bank, the Deposit Protection Agency, the Resolution Fund, the Financial Stability Committee, the competent supervisory authority and the resolution authority referred to in Article 19 paragraph (9) indents 2, 3 and 4 of this Law, the payment systems operator and the clearing and settlement systems to which the bank under resolution had access, if applicable, and the Ministry of Finance on the day of its adoption. The National Bank shall without delay, submit the decision on initiation of a bank resolution procedure to the Central Registry of the Republic of North Macedonia, to the Central Securities Depository and other competent authorities in the country or abroad, if applicable, who shall act in accordance with the decision, from the moment of its delivery.

(3) Provisions under paragraph (2) of this Article shall apply to all further decisions of the National Bank by which the bank resolution actions are taken.

(4) On the day of adopting the decision under paragraph (1) of this Article, all measures taken by the National Bank as a competent supervisory authority towards the bank under resolution in accordance with the law governing the operations of banks, shall cease, as well as all competences of the supervisory and management board and the assembly of the bank under resolution, unless otherwise determined in accordance with Article 18 paragraph (1) of this Law.

(5) The competencies of the bank assembly and the competencies of the supervisory board, if terminated in accordance with paragraph (4) of this Article, shall be performed by the National Bank, through decisions of the Executive Board.

(6) The members of the management board of the bank under resolution shall not have the right to severance pay and/or a variable part of the remuneration, regardless of whether such right was agreed with the bank under resolution or arises from an internal act of the bank under resolution and the contractual provisions providing this right shall cease to be effective.

(7) The bank under resolution shall inform all entities to whom the decision referred to in paragraph (1) of this Article and all further decisions for taking resolution actions apply, on the part of the decisions of the National Bank that refers to those entities.

(8) The National Bank shall publish on its website a notification on the adopted decision under paragraph (1) of this Article and on all further decisions for taking resolution actions and on the effects of the resolution actions, in particular the effects on retail customers and, if applicable, the terms and period of suspension or restriction of contractual rights and obligations in accordance with Articles 55, 56 and 57 of this Law.

(9) The bank shall publish on its website a notification on the adopted decision under paragraph (1) of this Article and on all further decisions by which resolution actions are taken.

(10) If the bank is listed on the stock exchange or is a company with special reporting obligations in accordance with the law, the notification under paragraph (8) of this Article shall be submitted to the Macedonian Stock Exchange for publication on its website.

(11) If the bank is not listed on the stock exchange or is not a company with special reporting obligations in accordance with the law, the publication in accordance with paragraph (8) of this

Article shall be considered as submitting the decision under paragraph (1) of the this Article and all further decisions for taking resolution actions to the shareholders of the bank.

(12) The contracts concluded by the bank until the date of the decision under paragraph (1) of this Article shall remain in force, and the application of the resolution actions and tools cannot constitute grounds for the other party to terminate or request amendments to the contract, nor require set-off or enforcement of collateral given under the contract, if the obligations under that contract continue to be performed by the bank under resolution.

(13) The Central Register shall, without delay enter the changes that arise from the decisions of the National Bank adopted in the bank resolution procedure in accordance with this Law.

Special management

Article 23

(1) The National Bank may adopt a decision on appointing a special management in the bank under resolution and appointing one or more members of the special management (hereinafter: special managers), if it considers that the replacement of bank's management will contribute to the achievement of the resolution objectives.

(2) The National Bank may adopt the decision referred in in paragraph (1) of this Article at any time during the bank resolution.

(3) The person appointed as a special manager in accordance with paragraph (1) of this Article must meet the conditions that pursuant to the law governing the operations of banks apply to a member of a management board and an independent member of a supervisory board of a bank. The provisions on granting prior approval to a member of the management board shall not apply to the appointment of a special manager, nor shall special managers have to be full-time employees in the bank under resolution.

(4) On the day of adoption of the decision referred to in paragraph (1) of this Article, the competencies of the bank's management board shall be transferred to the special management, which shall perform those competencies under the control of the National Bank.

(5) Special managers shall be appointed for a period not exceeding one year. As an exception, this period may be renewed if the National Bank determines that the conditions for appointment of special managers continue to be met.

(6) Under the decision set out in paragraph (1) of this Article, the National Bank may appoint one or more assistants to the special management who shall not be members of the special management and shall not be employees in the bank under resolution, and who shall perform ancillary activities, upon instructions from the special management. If necessary, the special managers may use outsourcing services, upon prior approval from the National Bank.

(7) The special management shall be required to take all measures necessary for the realization of the resolution objectives and for implementation of activities from the decisions of the National Bank. That duty shall override any other duty of management in accordance with the law or with the internal acts of the bank under resolution.

(8) The special management shall inform the National Bank without delay of all cases which may adversely affect the achievement of the resolution objectives under Article 17 of this Law and the implementation of the resolution actions set out in the decision for initiating the bank resolution procedure referred to in Article 22 of this Law.

(9) The decision of the National Bank referred to in paragraph (1) of this Article shall determine the powers and duties of the special management and the limitations with regard to its powers. This decision may require that certain actions of the special management are subject of prior approval by the National Bank.

(10) In addition to the authorizations, restrictions and actions determined in accordance with paragraph (1) of this Article, the National Bank may also give other written orders and guidelines to the special management and the special management shall implement those orders and guidelines.

(11) The decision of the National Bank laid down in paragraph (1) of this Article shall determine the amount of fee for the operation of the special managers, including the assistants referred to in paragraph (6) of this Article, who shall be paid by the bank under resolution.

(12) Previous members of the management board and persons with special rights and responsibilities in the bank shall provide access for the special managers to the entire documentation of the bank, and provide them with all necessary information, explanation and reports on the bank's operations.

(13) The employees of the bank under resolution shall cooperate with the special management and with the persons under paragraph (6) of this Article. Special managers have the right to remove any person who interferes with their work, and ask the Ministry of Internal Affairs for assistance, whenever necessary.

(14) Special managers shall submit to the National Bank reports on the financial position of the bank and the actions they have taken during the performance of their duties on a quarterly basis, or more often, as requested by the National Bank. Special managers shall submit to the National Bank a report at the beginning and at the end of the period for which they have been appointed.

(15) The appointment of special managers shall be published on the website of the National Bank. The National Bank shall submit the decisions on dismissal of the members of the management board of the bank under resolution and the decisions on the appointment and dismissal of special managers to the Central Registry of the Republic of North Macedonia, for their registration, and the Central Registry shall, without delay, register the changes that occur based on the decisions of the National Bank.

(16) The rights and obligations of the special management shall start on the day of adoption of the decision under paragraph (1) of this Article, regardless of the day of entry in the Central Register of the Republic of North Macedonia.

(17) The National Bank may at any time adopt a decision on dismissal of the special manager and/or assistants of the special management, especially if they fail to perform their authorizations in accordance with this Article or if they perform them in a way that is not adequate for the performance of the special management duties determined in paragraphs (7), (8), (9) and (10) of this Article.

(18) In the cases under paragraph (17) of this Article, the National Bank shall appoint a new special manager and/or a new assistant to the special management for a period no longer than the remaining term of the special manager, ie the assistant to the special management on whose place they are appointed.

(19) The term of the special management shall cease on:

- 1) the day of adopting the decision for completion of the bank resolution;
- 2) the expiration of the term;
- 3) the day of adopting a decision for opening a bankruptcy procedure against the bank.

(20) The day of termination of the term of the special management shall also be the day of termination of the term of the assistants of the special management.

Part 2
Bank resolution tools

Section 1
Types and general principles of bank resolution tools
Article 24

(1) Bank resolution tools include:

- 1) sale of business tool;
- 2) bridge institution tool;
- 3) asset separation tool;
- 4) bail-in tool.

(2) The National Bank may apply one or more resolution tools, and the asset separation tool shall be applied only together with any of the other resolution tools.

(3) When the tools under paragraph (1) items 1) and 2) of this Article are applied and the National Bank makes only a partial transfer of the assets, rights and liabilities, for the residual bank under resolution in which the residual assets, rights and liabilities remained, the National Bank shall adopt a decision on revocation of the founding and operating license of the bank and on determination of the fulfillment of the terms for opening a bankruptcy proceeding in accordance with the law governing the operations of banks, not later than the completion of the resolution.

(4) Provisions of the law governing bankruptcy proceedings related to refuting the legal acts taken before the opening of the bankruptcy proceeding shall not apply to the transfer of assets, rights and liabilities from the bank under resolution to a third party, through the application of resolution tools or exercising powers or through the use of state financial stabilization tools.

(5) The National Bank, the Resolution Fund and the Ministry of Finance shall be entitled to reimbursement of all reasonable expenses incurred in applying resolution tools or powers or state financial stabilization tools, in one or more of the following ways:

- 1) by deducting any consideration paid by the recipient to the bank under resolution or to the shareholders;
- 2) from the bank under resolution, as a preferred creditor; or
- 3) from any proceeds generated as a result of the termination of the operation of the bridge institution or the asset management vehicle, as a preferred creditor.

(6) In extraordinary situations of a financial crisis determined in accordance with the law governing financial stability, the National Bank may seek the use of state financial stabilization tools in accordance with Chapter V of this law, only if:

- 1) shareholders, owners of relevant capital instruments and other bail-inable liabilities have made a contribution to loss absorption and recapitalization of the bank through write down, conversion or otherwise, equal to an amount not less than 8% of total liabilities of the bank including its own funds calculated in accordance with the valuation under Article 21 of this Law; and
- 2) prior approval is granted under the regulations governing the use of state aid.

(7) If the conditions for bank resolution no longer exist or all the necessary resolution actions have been taken, the National Bank shall adopt a decision on the completion of the bank resolution.

(8) When applying the resolution tools, the provisions of the law regulating trade companies shall not be applied for the bank under resolution in regards of: the requirement to adopt a decision at a meeting of shareholders to increase or decrease the share capital, the requirement to convene an assembly in case of a loss, over-indebtedness or insolvency, protection of creditors

when reducing the share capital, pre-emptive right of existing shareholders to subscribe for new shares, the procedure of acquisition or merger of joint stock companies, cross-border merger, convening a shareholders' meeting, participation to the shareholders of an entity whose shares are listed on the stock exchange or have special reporting obligations.

(9) When applying the resolution tools, the provisions for mandatory takeover bid under the Law on takeover of joint stock companies shall not be applied.

Section 2

Sale of business tool

Article 25

(1) The National Bank has the right to transfer to a purchaser that is not a bridge institution:

- 1) shares or other instruments of ownership issued by the bank under resolution; and/or
- 2) all or part of the assets, rights or liabilities of the bank under resolution.

(2) The transfer under paragraph (1) of this Article shall be made without obtaining the consent of the shareholders and creditors of the bank under resolution or by any third party, other than the purchaser.

(3) The implementation of the sale of business shall be subject to the provisions of Article 27 of this law, while the procedural requirements prescribed by the law governing trade companies and the law on prospectus and obligations for transparency which are in collision with the provisions for sale of business under this Law, shall not be implemented.

(4) The National Bank shall adopt one or several decisions on the transfer of shares or other instruments of ownership, i.e. all or part of the assets, rights or liabilities of the bank to the purchaser, by taking relevant steps for implementation of the transfer on commercial terms, in accordance with the valuation under Article 21 of this Law and taking into account the circumstances of each individual case.

(5) The purchaser shall submit the decision on transfer of shares or other instruments of ownership, or the assets, rights or liabilities of the bank under resolution to the Central Securities Depository for its registration and to other registries, if applicable.

(6) The consideration paid by the purchaser, deducted by the amounts determined in accordance with Article 24 paragraph (5) of this law, shall be paid to:

- 1) the shareholders, if their shares or other instruments of ownership issued by the bank under resolution are sold to the purchaser; and / or
- 2) the bank under resolution, if all or part of its assets, rights or liabilities are sold to the purchaser.

(7) After the transfer, the National Bank may adopt a decision by which, with the consent of the purchaser, the shares or other instruments of ownership, or the assets, rights or liabilities shall be transferred back to the former shareholders or the bank under resolution and the former shareholders or the bank under resolution shall take back the transferred shares or other instruments of ownership, or the assets, rights or liabilities.

Conditions for the application of sale of business tool

Article 26

(1) The purchaser who acquires assets, rights and liabilities from the bank under resolution in accordance with Article 25 paragraph (1) item 2) of this Law, shall have at the time of the transfer prior approval from the National Bank as a competent supervisory authority, for performing the

financial activities related to the transferred assets, rights or liabilities, in accordance with the provisions of the law governing the operations of banks.

(2) If the acquirer does not have the necessary approval under paragraph (1) of this Article, it shall submit to the National Bank as a competent supervisory authority and/or to other competent authority, if applicable, a request for obtaining prior approval for performing the respective financial activity. The decision for transfer of the assets, rights or liabilities to the purchaser, under Article 25 paragraph (4) of this Law, shall enter into force at the earliest on the day the National Bank as a competent supervisory authority adopts the decision for issuing an approval for performing the respective financial activity or on the day of approval issued by other competent authority if applicable.

(3) The purchaser who acquires shares that represent qualified holding in the bank under resolution, in accordance with Article 25 paragraph (1) item 1) of this Law, shall, at the time of the sale, have prior approval from the National Bank as a competent supervisory authority for acquiring qualified participation in the bank, in accordance with the provisions of the law governing the operations of banks. The National Bank as a competent supervisory authority decides upon the submitted request within 15 days from the day of filing a complete request.

(4) By way of derogation from paragraph (3) of this Article, to avoid any delay of the transfer of shares or other instruments of ownership or failure to achieve the resolution objectives, the National Bank may adopt a decision on the transfer of shares or other instruments of ownership under Article 25 paragraph (4) of this Law, and decide additionally, as competent supervisory authority, on the request for issuing prior approval for acquiring qualified holding in the bank, in accordance with paragraph (3) of this Article. In this case, the decision on the transfer of shares or other instruments of ownership to the acquirer shall have immediate legal effect, and the voting right attached to the shares shall vest in the National Bank, which shall not be obliged to exercise this right and shall not be liable to use or refrain from exercising the right to vote.

(5) If the National Bank as a competent supervisory authority issue a prior approval for acquiring a qualified holding in the bank in accordance with paragraph (4) of this Article, the voting rights attached to the shares shall be deemed fully vested in the acquirer from the day of receiving the decision for issuing the prior approval.

(6) If the National Bank as a competent supervisory authority rejects the request for issuing prior approval under paragraph (4) of this Article, the voting rights attached to the shares shall remain in favor of the National Bank and the National Bank as a competent supervisory authority shall adopt a decision requiring from the acquirer to divest such shares within a certain period. If the acquirer fails to complete such a divestment of the shares, the measures and the misdemeanor provisions for acquiring shares without the approval of the National Bank, provided for in the law governing the operations of banks, shall be applied.

(7) Transfers carried out through the application of the sale of business tool shall be subject to the safeguard measures of Chapter VII. of this Law.

(8) The acquirer under paragraph (1) of this Article shall replace the bank under resolution in all contractual relations and procedures related to the transferred assets, rights or liabilities.

(9) The operators of payment systems and clearing and settlement systems, the stock exchange and the Deposit Protection Agency to which the bank under resolution had access or membership, shall make sure that the acquirer under paragraph (1) of this Article continues to exercise the rights of membership and access, provided that it meets the criteria for membership and access to such systems.

(10) By way of derogation from paragraph (9) of this Article, if the acquirer who does not meet the conditions for access and membership to the payment systems, clearing and settlement systems, the stock exchange or the Deposit Protection Agency, the operator of those systems, ie

the person managing the stock exchange or the Deposit Protection Agency shall, at the request of the National Bank, grant the acquirer the right of membership and access for a period determined by the National Bank, which may not be longer than 24 months.

(11) The access under paragraph (9) of this Article may not be denied if the acquirer has not been granted a rating from a credit rating agency, or if the rating is lower than the rating levels required for granting access to the systems or institutions referred to in paragraph (9) of this Article.

(12) The shareholders and creditors of the bank under resolution and any third parties whose assets, rights or liabilities have not been transferred with the sale of business tool shall have no rights over the assets, rights or liabilities, with the exception of the safeguard measures defined in Chapter VII of this Law.

Conducting the sale of business

Article 27

(1) The National Bank shall publicly announce the sale of business.

(2) The public announcement of the sale of business shall be conducted in accordance with the following principles:

- 1) transparency and realistic presentation of the assets, rights, liabilities, shares or other instruments of ownership of the bank under resolution, taking into account the circumstances of the case and the need to maintain the financial stability;
- 2) ensuring equal treatment of potential purchasers, without favoring or discriminating between potential purchasers;
- 3) avoiding conflict of interest;
- 4) urgency of the bank resolution; and
- 5) maximizing, as far as possible, the sale price of the shares or other instruments of ownership, assets, rights or liabilities involved.

(3) The principle under paragraph (2) item 2) of this Article shall not prevent the National Bank from soliciting particular potential purchasers or to arrange the sale directly with a particular purchaser who meets the conditions under Article 26 of this Law.

(4) The National Bank shall conduct the sale without a public announcement if it considers that such announcement would prevent the accomplishment of any of the resolution objectives, and in particular if it assesses that:

- 1) there is a serious threat to the financial stability arising from the possible termination of the bank's operations; and
- 2) the public announcement would prevent the efficiency of the sale of business and the accomplishment of the resolution objective under Article 17 paragraph (1) item 2) of this law.

(5) The National Bank Council shall adopt a bylaw, detailing the circumstances under paragraph (4) of this Article.

Section 3

Bridge institution

Article 28

(1) Bridge institution shall be a legal entity that meets the following conditions:

- 1) it is wholly or partly owned by the Republic of North Macedonia on the basis of decision by the Government of the Republic of North Macedonia and is controlled by the National Bank in accordance with Article 59 of this Law;
 - 2) it is established in order to receive all or part of the shares or other instruments of ownership, or all or part of assets, rights and liabilities of the bank under resolution, with the aim of maintaining access to its critical functions and subsequent sale of the transferred shares or other instruments of ownership, assets, rights and liabilities.
- (2) The application of the bail-in tool in accordance with Article 31 paragraph (1) item 2) of this Law shall not interfere with the powers of the National Bank to exercise control over the bridge institution.
- (3) The National Bank shall have the right to adopt one or more decisions by which the following shall be transferred to the bridge institution:
- 1) shares or other instruments of ownership issued by one or more banks under resolution;
 - 2) all or part of the assets, rights or liabilities of one or more banks under resolution.
- (4) The total value of liabilities transferred to the bridge institution shall not exceed the total value of assets and rights transferred from a bank under resolution or provided by other sources.
- (5) The consideration paid by the bridge institution, deducted by the amounts determined in accordance with Article 24 paragraph (5) of this Law, shall be paid to:
- 1) the shareholders, if their shares or other instruments of ownership issued by the bank under resolution have been transferred to the bridge institution;
 - 2) the bank under resolution, if all or part of its assets, rights or liabilities have been transferred to the bridge institution.
- (6) The transfer under paragraph (3) of this Article shall be carried out without obtaining consent of the shareholders and creditors of the bank under resolution or any third party, except from the bridge institution. The transfer shall not be subject to the procedural requirements prescribed by the law governing trade companies and the law on prospectus and obligations for transparency that are in collision with the provisions for sale of business from this Law.
- (7) Following the transfer in accordance with paragraph (3) of this Article, the National Bank may adopt a decision by which:
- 1) the rights, assets or liabilities shall be transferred back from the bridge institution to the bank under resolution, or the shares or other instruments of ownership back to the former shareholders of the bank under resolution, and the bank under resolution or former shareholders shall take back any such assets, rights or liabilities, or shares or other instruments of ownership, provided that the conditions laid down in paragraph (8) of this Article are met;
 - 2) shares or other instruments of ownership, or assets, rights or liabilities shall be transferred from the bridge institution to a third party.
- (8) The decision under paragraph (7) item 1) of this Article may be adopted if:
- 1) such a possibility was provided for in the decision of paragraph (3) of this Article, and
 - 2) such shares or other instruments of ownership, or assets, rights or liabilities do not in fact meet the conditions for transfer in accordance with the decision under paragraph (3) of this Article.
- (9) The transfer under paragraph (7) of this Article may be performed at any time during resolution and must be in accordance with the conditions set in the decision of the National Bank under paragraph (3) of this Article.
- (10) Transfers between the bank under resolution or the former shareholders and the bridge institution shall be subject to the safeguard measures laid down in Chapter VII of this Law.

(11) The bridge institution shall replace the bank under resolution in all contractual relations and procedures related to the transferred assets, rights or liabilities.

(12) The operators of payment systems and clearing and settlement systems, the stock exchange and the Deposit Protection Agency to which the bank under resolution had access or membership, shall enable the bridge institution to continue to exercise the rights of membership and access, provided that it meets the criteria for membership and access to those systems.

(13) By way of derogation from paragraph (12) of this Article, if the bridge institution does not meet the conditions for access and membership to payment systems, clearing and settlement systems, the stock exchange or the Deposit Protection Agency, the operator of those systems, ie the person managing the stock exchange or the Deposit Protection Agency shall, at the request of the National Bank, grant the bridge institution the right of membership and access for a period determined by the National Bank, which shall not be longer than 24 months.

(14) The access under paragraph (12) of this Article may not be prohibited if the bridge institution has not been granted a rating from a credit rating agency or if the rating is lower than the credit rating required for granting access to the systems and institutions under paragraph (12) of this Article.

(15) Upon the decision of the National Bank under paragraph (3) of this Article, the bridge institution shall take activities for:

- 1) registration in the Central Securities Depository of the right of ownership of the bridge institution over the transferred shares and other instruments of ownership issued by the bank under resolution; and / or
- 2) registration in the real estate cadaster and/or an appropriate register of the right of ownership of the bridge institution over the transferred assets or rights from the bank under resolution, if applicable.

(16) The shareholders and creditors of the bank under resolution and any third parties whose assets, rights or liabilities have not been transferred to the bridge institution shall have no rights over the assets, rights or liabilities transferred to the bridge institution, with the exception of the safeguards measure of Chapter VII. of this Law.

(17) Members of the management board and supervisory board of the bridge institution shall not be liable for damages caused to shareholders and creditors of the bank under resolution related to actions or omissions in the performance of their duties, unless the damage is caused by gross negligence or serious violation of their duties.

Establishment and operation of a bridge institution

Article 29

(1) The bridge institution shall be established as:

- 1) a bridge joint stock company in accordance with the law governing the trade companies, when the shares and other ownership instruments of the bank under resolution are transferred to the bridge institution; or
- 2) a bridge bank in accordance with the law governing the operations of banks, when the assets, rights and liabilities of the bank under resolution are transferred to the bridge institution.

(2) The share capital of the bridge joint stock company under paragraph (1) item 1) of this Article, ie the initial capital of the bridge bank under paragraph (1) item 2) of this Article shall be provided from the following sources:

- 1) conversion of claims or debt instruments into shares of the bridge institution by applying the bail-in tool in accordance with Article 35 paragraph (1) item 2) of this Law;

- 2) funds from the Resolution Fund; and/or
 - 3) public funds provided in accordance with the regulations governing the use of state aid.
- (3) Irrespective of the source of the initial capital and the ownership of the shares of the bridge institutions, the competencies of the shareholders' assembly shall be performed by the National Bank.
- (4) The National Bank in its capacity of a shareholders assembly of the bridge institution shall adopt decisions by which:
- 1) approves the statute of the bridge institution;
 - 2) appoints or approves the appointment of the members of the supervisory body and members of the management body of the bridge institution;
 - 3) determines the competencies of the members of the supervisory and management body of the bridge institution and approves the amount of their fee;
 - 4) approves the strategic and operational plan of the bridge institution.
- (5) The provisions of the law governing trade companies shall apply to the bridge joint stock company under paragraph (1) item 1) of this Article, unless otherwise determined by this law. The provisions of the law governing the operations of banks shall apply to the bridge bank under paragraph (1) item 2) of this Article, unless otherwise determined by this Law.
- (6) The bridge bank referred to in paragraph (1) item 2) of this Article shall meet the conditions for obtaining a license for founding and operating a bank in accordance with the law governing the operations of banks. As an exception, the provisions of the law governing the operations of banks, which refer to the issuance of approval for acquiring qualified holding in a bank, shall not apply to the Government of the Republic of North Macedonia.
- (7) The National Bank as a competent supervisory authority shall adopt a decision on issuing a license for founding and operating the bridge bank under paragraph (1) item 2) of this Article.
- (8) As an exception to paragraph (5) of this Article, the National Bank as a competent supervisory authority may issue a license for founding and operating a bridge bank when all the conditions of the law governing the operations of banks are not met. In such a case, the decision on issuing the license requires from the bridge bank to comply with the requirements of the law governing the operations of banks within a period not exceeding three months from the date of issuance of the license.
- (9) The National Bank, as a competent supervisory authority, shall publish the decision on issuing a license for founding and operating a bridge bank in the Official Gazette of the Republic of North Macedonia and on its website.
- (10) The bridge bank shall operate in accordance with the regulations for state aid control and appropriate restrictions in its operation may be established.
- (11) The management board of the bridge bank shall manage it in a manner that provides access to the critical functions and sales of the bridge bank, its assets, rights and liabilities to private sector purchasers, when conditions are appropriate, within the period specified in paragraph (15) of this Article or, if applicable, the period specified in paragraph (16) of this Article.
- (12) The Government of the Republic of North Macedonia shall register bridge institution establishment in the register of the Central Registry of the Republic of North Macedonia, on the next working day after receiving the license from the National Bank as a competent supervisory authority for issuing a license for founding and operating a bridge bank under paragraph (1) item 2) of this Article, ie the next working day after the adoption of the decision on establishment of the bridge joint stock company under paragraph (1) item 1) of this Article.
- (13) The National Bank shall adopt a decision stating that the bridge institution is no longer a bridge institution within the meaning of Article 28 paragraph (1) of this Law, in any of the following cases whichever occurs first:

- 1) merger with another bank or acquisition of the bridge institution by another bank;
- 2) the bridge institution no longer meets the requirements under Article 28 paragraph (1) of this Law;
- 3) all or substantially all of the assets, rights or liabilities of the bridge institution have been sold to a third party;
- 4) the period determined in accordance with paragraph (15) or paragraph (16) of this Article has expired;
- 5) the assets of the bridge institution have been fully wound down and the liabilities completely discharged.

(14) The National Bank shall be responsible for conducting the sale of the bridge institution or its assets, rights or liabilities under commercial conditions in accordance with the circumstances of the case and the regulations governing the use of state aid, ensuring transparency and realistic presentation of the assets, rights and liabilities and equal treatment of potential purchasers.

(15) If none of the cases under paragraph (13) items 1), 2), 3) or 5) of this Article occur, the National Bank as a competent supervisory authority shall revoke the operating license of the bridge bank as soon as it is possible, and in any case after the expiration of two years from the day of the last performed transfer in accordance with Article 28 paragraph (3) of this Law.

(16) By decision of the National Bank, the term under paragraph (15) of this Article may be extended for one or more one-year periods, if it is necessary for maintaining continuity of key banking or financial activities or for the circumstances under paragraph (13) items 1), 2), 3) or 5) of this Article. The decision shall contain an explanation of the market conditions and the reasons for extending the deadline.

(17) In the cases under paragraph (13) items 3), 4) and (5) of this Article, the National Bank shall submit to the competent court a proposal for opening a bankruptcy proceedings against the bridge institution.

(18) The amount that will remain after the conducted liquidation or bankruptcy procedure over the bridge institution shall be distributed to its shareholders, deducted by the amounts determined in accordance with Article 24 paragraph (5) of this Law.

(19) The National Bank Council shall adopt a bylaw, detailing the procedure for issuing a license for founding and operating a bridge bank.

Section 4

Asset separation tool Article 30

(1) The National Bank shall have the power to adopt a decision on transferring assets, rights or liabilities of the bank under resolution or the bridge institution, once or more times, to one or more asset management vehicles.

(2) The National Bank shall adopt the decision under paragraph (1) of this Article only if:

- 1) the situation on the market is such that the sale or the monetization of these assets, rights or liabilities in a bankruptcy proceedings would adversely affect the financial market;
- 2) the transfer is necessary to ensure the regular operation of the bank under resolution or the bridge institution; or
- 3) the transfer is necessary to achieve the maximum possible proceeds from the sale or monetization of the property.

(3) The transfer under paragraph (1) of this Article shall be carried out without requiring consent of the shareholders of the bank under resolution or any third party, except from the bridge institution. The transfer shall not be subject to the procedural requirements prescribed by the law governing trade companies which are in collision with the provisions of this Article from the Law.

(4) The asset management vehicle under paragraph (1) of this Article shall be a joint stock company that meets the following requirements:

- 1) it is wholly or partly owned by the Republic of North Macedonia based on a decision of the Government of the Republic of North Macedonia and is controlled by the National Bank in accordance with Article 59 of this Law; and
- 2) it is established in order to receive all or part of the assets, rights or liabilities of one or more banks under resolution or the bridge institution.

(5) The asset management vehicle shall not perform banking activities. The vehicle shall manage the transferred assets, rights or liabilities with due care, in order to increase their value with the aim of their sale or monetization. Provisions under Article 29 paragraphs (2), (3) and (4) of this Law shall adequately apply to the asset management vehicle.

(6) Based on the valuation under Article 21 of this Law and in accordance with the regulations governing the use of state aid, the National Bank shall determine the amount of the remuneration paid by the asset management vehicle for the assets, rights and liabilities transferred to it. The amount of remuneration may also have negative value.

(7) The remuneration paid by the asset management vehicle in respect of the transferred assets, rights or liabilities shall benefit the bank under resolution, deducted by the amounts determined in accordance with Article 24 paragraph (5) of this Law. The remuneration may be paid in the form of debt issued by the asset management vehicle.

(8) If the asset separation tool is used together with the bridge institution tool, the asset management vehicle may, after applying the bridge institution tool, acquire assets, rights and liabilities from the bridge institution. In this case, the remuneration under paragraph (6) of this Article shall be paid to the bridge institution.

(9) Upon a decision by the National Bank, the assets, rights or liabilities may be transferred back to the bank under resolution if such an option was provided for in the decision of paragraph (1) of this Article, and/or if such assets, rights or liabilities do not in fact meet the conditions for transfer in accordance with the decision under paragraph (1) of this Article.

(10) The transfer back under paragraph (9) of this Article may be performed at any moment until the decision about completion of the bank resolution is made.

(11) The transfer between the bank under resolution and the asset management vehicle shall be subject to the safeguard measures under Chapter VII of this Law.

(12) The shareholders and creditors of the bank under resolution and any third parties whose assets, rights or liabilities have not been transferred to the asset management vehicle shall have no rights over the assets, rights or liabilities transferred to the asset management vehicle, with the exception of the safeguard measures under Chapter VII. of this Law.

(13) The members of the management board and supervisory board of the asset management vehicle shall not be liable for damages caused to the shareholders and creditors of the bank under resolution related with actions or omission in the performance of their duties, unless the damage has been caused by gross negligence or due to a serious violation of their duties.

(14) The asset management vehicle shall replace the bank under resolution or the bridge institution in all contractual relations and procedures related to the transferred assets, rights or liabilities.

(15) The National Bank Council shall adopt a bylaw, detailing the conditions when it is considered that the situation on the market is such that the sale or the monetization of these assets, rights

or liabilities in a bankruptcy proceedings would adversely affect the financial market under paragraph (2) item 1) of this Article.

Section 5

Bail-in

Bail-in tool

Article 31

(1) The bail-in tool may be used as a resolution tool for achieving the following purposes:

- 1) increase in the bank's own funds at a level that will enable the bank to restore its viability in accordance with the law governing the operations of banks and sustain market confidence, or
- 2) conversion into shares or reduction of the principal amount of bank's claims and debt instruments of the bank that are transferred:
 - to a bridge institution for providing share capital or initial capital for this institution, or
 - under the sale of business tool or asset separation tool.

(2) In the case of application of the bail-in tool, the decision on initiating a resolution procedure in a bank under Article 22 of this Law shall determine the amount of eligible liabilities that should be written down or converted into shares, in accordance with Article 35 of this Law, the liabilities that will be excluded by the National Bank in accordance with Article 33 of this Law and the objectives and the elements of the reorganization plan under Article 40 of this Law.

(3) The bail-in tool may be used to achieve the purposes under paragraph (1) item 1) of this Article if the National Bank assesses that there is a real possibility through the application of this tool, together with the application of other measures, including the measures provided for in the reorganization plan under Article 40 of this Law, to ensure stable and long-term viability of the bank.

(4) The bail-in tool may be used to achieve the objectives under paragraph (1) item 2) of this Article, if the National Bank assesses that the conditions under paragraph (3) of this Article have not been met, in which case this tool may be used along any of the other resolution tools under Article 24 of this Law.

Bail-inable liabilities

Article 32

(1) The bail-in tool may be applied to all liabilities of the bank that are not excluded pursuant to paragraph (2) of this Article and for which the National Bank has not applied Article 33 of this Law.

(2) The following liabilities shall be excluded from the scope of the bail-in tool:

- 1) covered deposits;
- 2) secured liabilities, including covered bonds and liabilities based on financial instruments used for hedging purposes which, in accordance with a law, form an integral part of the cover pool which serves as security in a similar manner to covered bonds;
- 3) liabilities arising from management funds and other assets of bank's client and provision of custody services to investment and pension funds, if the clients funds, ie the property of the fund would not be part of the bankruptcy estate of the bank, in accordance with the law;
- 4) liabilities to other domestic and foreign banks with a contractual maturity period of up to seven days, with the exception of the liabilities to the members of the group to which the bank belongs;

- 5) liabilities with a residual maturity of up to seven days to the settlement systems, the persons managing those systems and the participants in those systems, in accordance with the law, arising from the bank's participation in the relevant settlement system;
 - 6) liabilities towards:
 - employees in the bank, in relation to salaries, pensions and other fixed remunerations, with the exception of variable remuneration whose terms of payment and determination of their amount are not regulated by the collective bargaining agreement or other similar agreement;
 - creditors arising from contracts for selling goods or providing services to the bank that are important for its day to day operations, including IT services, utilities, office space leasing services, maintenance of the business premises;
 - the state, based on taxes and mandatory social insurance;
 - Deposit Insurance Fund and/or deposit guarantee schemes in other countries, based on deposit insurance contributions;
 - 7) liabilities to other entities from the same resolution group in the Republic of North Macedonia, which are not resolution entities, regardless of their maturity, with the exception of liabilities that have lower priority than other unsecured liabilities, in accordance with the law.
- (3) The exception from the scope of the bail-in tool under paragraph (2) item 6) line 1 of this Article shall not be applied to liabilities arising from variable compensations determined in the collective bargaining agreement or in another similar agreement, but which should be paid to employees who are considered key risk takers in the bank.
- (4) The exception from the scope of the bail-in tool under paragraph (2) items 1) and 2) of this Article shall not include the part of the secured liabilities or of the liabilities for which a certain security is pledged, which exceeds the coverage level, i.e. the value of the pledge used as security.

Exclusion of liabilities from the scope of the bail-in tool by the National Bank

Article 33

- (1) National Bank may decide to exclude in whole or in part a certain liability from the scope of the bail-in tool, if:
- 1) the liability cannot be written down or converted into shares within a reasonable timeframe, despite the activities taken by the National Bank for the timely and effective implementation of this tool;
 - 2) the exclusion is necessary for the continuation of critical functions and core business lines;
 - 3) the exclusion is necessary in order to prevent the negative impact on the financial system, especially with regard to eligible deposits, if their write-down or conversion into shares could endanger the financial stability in a manner that could cause a serious disruption to the domestic economy, or
 - 4) the application of the bail-in tool in respect of such liabilities would cause greater losses for other bank's creditors.
- (2) The amount of bail-inable liabilities may be increased by the amount of the liabilities that are excluded pursuant to paragraph (1) of this Article, if this increase is in accordance with principle under Article 18 paragraph (1) item 8) of this Law.
- (3) When deciding pursuant to paragraph (1) of this Article, the National Bank shall take into consideration the following:

- 1) the principle that losses should be borne first by bank's shareholders and then by other creditors thereof, in a reverse order from the order of priority of claims in a bankruptcy proceeding determined by the law governing the operations of banks;
 - 2) the capacity that the bank would have for covering the losses, after the exclusion of the liabilities, in accordance with paragraph (1) of this Article, and
 - 3) the need to provide sufficient funds for financing the bank's resolution.
- (4) The National Bank Council shall adopt a bylaw, detailing the cases in which exclusion of the liabilities for the application of the bail-in tool is required, in accordance with the paragraph (1) of this Article.

Financing by the Resolution Fund in the event of a partial or full exclusion of the eligible liabilities
Article 34

- (1) When for the purpose of exclusion of eligible liabilities in accordance with Article 33 of this Law, the bank's losses cannot be fully covered by bail-inable liabilities, the funds of the Resolution Fund may be used for:
- 1) covering all losses that would enable the net asset value of the bank to be equal to zero, in accordance with Article 35 paragraph (1) item 1) of this Law;
 - 2) acquisition of shares or other capital instruments in order to increase the bank's own funds, in accordance with Article 35 paragraph (1) item 2) of this Law.
- (2) Funds of the Resolution Fund may be used for the purposes of paragraph (1) of this Article if:
- 1) through write-down or conversion into shares of bail-inable liabilities or otherwise, loss absorption and recapitalization has been made, in the amount of at least 8% of the balance of the total liabilities of the bank, including bank's own funds, on the date of adopting the decision for bank resolution, in accordance with the valuation under Article 21 of this Law, and
 - 2) the funds used from the Resolution Fund do not exceed 5% of the balance of the total liabilities of the bank, including bank's own funds, on the date of adoption of the decision for bank resolution, in accordance with the valuation provided for in Article 21 of this Law.
- (3) Funds of the Resolution Fund used for the purposes of paragraph (1) of this Article shall be:
- 1) the annual contributions, in accordance with Article 76 of this Law;
 - 2) the additional contributions paid in the Resolution Fund in accordance with Article 77 of this Law for a period of three years;
 - 3) funds that are acquired through additional loan agreements or other forms of financing, in accordance with Article 78 of this Law, if the funds acquired pursuant to items 1 and 2 of this paragraph are insufficient.
- (4) In exceptional cases, the National Bank may use additional sources of financing pursuant to Article 78 of this Law for the purposes of paragraph (1) of this Article, if the limit under paragraph 2 item 2) of this Article is reached and all unsecured liabilities, apart from the eligible deposits, have been written down or converted into shares, which, in accordance with the law governing the operations of banks, do not have priority claim in the case of bank bankruptcy.
- (5) If the conditions under paragraph (4) of this Article are fulfilled, additional funds from the contributions of the Resolution Fund may be used, if there are unused funds acquired from payment of contributions in accordance with Article 76 of this Law.
- (6) By way of derogation from paragraph (2) item 1) of this Article, the funds from the Resolution Fund may be used for the purposes of paragraph (1) of this Article, if:

- 1) the contribution to loss absorption with shares and liabilities under paragraph (2) item 1) of this Article, equals at least 20% of the risk weighted assets;
- 2) the Resolution Fund has at its disposal assets in the amount that exceeds 3% of the total amount of covered deposits of all banks in the Republic of North Macedonia, and
- 3) according to the valuation under Article 21 of this Law, the bank's assets on a consolidated basis are less than Denar 10 billion.

Determination of the amount of the bail-in **Article 35**

(1) Based on the valuation under Article 21 of this Law, the National Bank shall determine the amount of the bail-inable liabilities which should be included in the scope of bail-in tool, as a sum of:

- 1) the amount to be written down in order to enable the net value of the assets of the bank under resolution to be equal to zero, where relevant;
- 2) the amount to be converted into shares or other capital instruments in order to reach the required Common Equity Tier 1 capital ratio of the bank under resolution or of the bridge institution, where relevant.

(2) When determining the amount under paragraph (1) of this Article, the National Bank shall take into account the funds of the Resolution Fund which may be used for the purposes of Article 74 paragraph (2) item 4) of this Law, the amount of capital required for meeting the conditions prescribed in the law governing the operations of banks for a period of at least one year after the implementation of the resolution tool, as well as the amount of capital required for maintaining an appropriate level of market confidence in the bank under resolution or in the bridge institution.

(3) In cases when the use of the asset separation tool under Article 30 of this Law is planned, the National Bank shall take into account the amount of capital required for the operation of the asset management vehicle.

(4) In cases when a write-down has been carried out in accordance with Articles 43 and 44 of this Law and the bail-in tool has been applied in accordance with Article 31 paragraph (1) of this Law, and it has been determined that the level of write-down based on the provisional valuation under Article 21 paragraph (11) of this Law exceeded the required amount determined by the ex-post definitive valuation under Article 21 paragraph (12) of this Law, the provisions of Article 21 paragraph (14) of this Law shall apply.

Treatment of shareholders in bail-in or write-down and conversion of relevant capital instruments **Article 36**

(1) When applying the bail-in tool under Article 31 paragraph (1) of this Law or the write down or conversion of capital instruments under Article 43 of this Law, the National Bank may take one or both of the following activities towards shareholders of the bank under resolution:

- 1) to implement a simplified reduction of the initial capital or to cancel the shares or other instruments of ownership or to transfer them to the bailed-in creditors;
- 2) if the net value of the bank under resolution is positive, in accordance with the valuation under Article 21 of this Law, to reduce the participation of existing shareholders, as a result of the conversion into shares or other instruments of ownership of:

- relevant capital instruments issued by the bank in accordance with the power set in Article 43 paragraph (1) of this Law, or
- the bail-inable liabilities issued by the bank under resolution on the basis of the power from Article 48 paragraph (2) item 8) of this Law.

(2) With regards to the activity referred to in paragraph (1) item 2) of this Article, the National Bank shall apply a conversion rate which will enable a significant reduction of the participation of the existing shareholders.

(3) The activities under paragraph (1) of this Article may also be taken in relation to the shares and other instruments of ownership issued or created based on:

- the conversion of debt instruments into shares or other instruments of ownership of the bank, in accordance with the contract upon which the debt instrument was issued or acquired, and based on an event that preceded or occurred at the same time with the assessment of the National Bank that the bank met the resolution conditions;
- conversion of relevant capital instruments into Common Equity Tier 1 instruments, in accordance with Article 44 of this Law.

(4) When considering the activities under paragraph (1) of this Article, the National Bank shall take into account:

- 1) the valuation under Article 21 of this Law;
- 2) the amount by which the value of the Common Equity Tier 1 instruments should be reduced or for which relevant capital instruments should be written down or converted, in accordance with Article 44 paragraph (1) of this Law;
- 3) the amount of bail-inable liabilities determined in accordance with Article 35 of this Law.

(5) If the application of the bail-in tool or conversion of relevant capital instruments results in acquisition or increase of the qualified holding in the bank, the National Bank as competent supervisory authority shall, ex officio, carry out in due time the procedure for issuing prior approval in accordance with the law governing the operations of banks, for the application of the bail-in tool or conversion of relevant capital instruments not to be delayed or not to prevent the achievement of the resolution objectives.

(6) If the National Bank as competent supervisory authority is not able to finish the procedure for issuing the approval under paragraph (5) of this Article by the date of application of the bail-in tool or conversion of relevant capital instruments, the provisions of Article 26 paragraphs (4), (5), (6) and (7) of this Law shall apply to any acquisition or increase of the qualified holding in the bank resulting from the application of the bail-in tool or conversion of relevant capital instruments.

(7) The National Bank Council shall adopt a bylaw to prescribe the treatment of shareholders when implementing the bail-in tool or the write-down or conversion of relevant capital instruments under paragraph (1) of this Article, having into account the provisions under paragraph (4) of this Article.

Sequence of write down or conversion

Article 37

(1) When applying the bail-in tool, the National Bank shall write down or convert the bail-inable liabilities which are not excluded from the scope of this tool in accordance with Article 32 paragraph (2) and Article 33 of this Law, by applying the following order of exercising the write-down or conversion:

- 1) the value of the Common Equity Tier 1 instruments shall be reduced in accordance with Article 44 paragraph (1) item 1) of this Law;

- 2) if the reduction made pursuant to item 1) of this paragraph is less than the sum of the amounts under Article 36 paragraph (4) items 2) and 3) of this Law, the value of the Additional Tier 1 instruments shall be reduced;
 - 3) if the reduction pursuant to items 1) and 2) of this paragraph is less than the sum of the amounts under Article 36 paragraph (4) items 2) and 3) of this Law, the value of the Tier 2 instruments shall be reduced;
 - 4) if the reduction pursuant to items 1), 2) and 3) of this paragraph is less than the sum of the amounts under Article 36 paragraph (4) items 2) and 3) of this Law, the value of the subordinated instruments which are not included in the own funds of the bank under resolution shall be reduced, following the reverse order of priority than the priority of claims in bankruptcy, in accordance with the law governing the operation of banks;
 - 5) if the reduction made pursuant to items 1), 2), 3) and 4) of this paragraph is less than the sum of the amounts under Article 36 paragraph (4) items 2) and 3) of this Law, the value of other bail-inable liabilities shall be reduced, following the reverse order of priority than the priority of claims in bankruptcy, in accordance with the law governing the operations of banks.
- (2) The National Bank shall allocate the coverage of the amount under Article 36 paragraph (4) items 2) and 3) of this Law equally between the shares and other instruments of ownership and the bail-inable liabilities of the same rank by reducing their nominal value or outstanding amount due, unless a different allocation of loss absorption between liabilities of the same rank is allowed, in accordance with the conditions of Article 33 paragraph (1) of this Law or if the liabilities are excluded from the scope of the bail-in tool in accordance with Article 32 paragraph (2) and Article 33 of this Law.
- (3) Before applying the write-down or conversion under paragraph (1) item 5) of this Article, the National Bank shall convert or reduce the value of the instruments under paragraph (1) items 2), 3) and 4) of this Article, which were not previously converted and which contain provisions that allow:
- 1) reduction of the value of the instrument after the occurrence of a certain event related to the financial situation, solvency or the level of own funds of the bank;
 - 2) conversion of the instrument into shares or other instruments of ownership after the occurrence of a certain event related to the financial situation, solvency or the level of own funds of the bank.
- (4) In cases when the value of the instrument under paragraph (3) item 1) of this Article is not completely reduced before the application of the bail-in tool, the National Bank shall write down or convert the remaining value of that instrument in accordance with paragraph (1) of this Article.
- (5) When making the decision for reduction of the value of the liability, ie for its conversion into Common Equity Tier 1 instruments, the National Bank shall not convert the principal amount of one category of liabilities, if the liabilities that are subordinated to that category are not converted into Common Equity Tier 1 instruments, or if their value is not reduced, unless allowed by Articles 32 and 33 of this Law.

Financial derivatives

Article 38

- (1) After adopting the decision to initiate bank resolution, the National Bank shall have the right to close out any financial derivative contract and to write down or convert into relevant capital instruments the liability arising from the financial derivative, which is not excluded from the scope

of the bail-in tool under Article 33 of this Law. The liabilities arising from financial derivative contracts shall be written down or converted after netting.

(2) If the financial derivative is subject to a netting agreement, within the valuation under Article 21 of this Law, the National Bank or the independent valuer shall determine the net value of the liability, taking into account the provisions and terms of the netting agreement.

(3) The National Bank Council shall adopt a bylaw to prescribe the manner of determination the value of the liabilities arising from financial derivative contracts.

Conversion rate Article 39

(1) When exercising the power to write-down or convert relevant capital instruments and eligible liabilities in accordance with Article 43 paragraph (1) and the power under Article 48 paragraph (2) item 8) of this Law, the National Bank may apply different conversion rates for different categories of capital instruments and liabilities, in accordance with one or both principles laid down in paragraphs (2) and (3) of this Article.

(2) The conversion rate shall represent appropriate compensation for the affected creditor for the losses incurred as a result of the write-down or conversion of relevant capital instruments.

(3) If different conversion rates are applied in accordance with paragraph (1) of this Article, the conversion rate applied to the liabilities that are senior in bankruptcy pursuant to the law governing the operations of banks shall be higher than the conversion rate which applies to subordinated liabilities.

(4) The National Bank Council shall adopt a bylaw detailing the conditions for determination of the conversion rates.

Reorganisation plan Article 40

(1) Within one month after the application of the bail-in tool in accordance with Article 31 paragraph (1) item 1) of this Law, the management board of the bank under resolution or the persons appointed by the National Bank to exercise the power under Article 59 paragraph (1) of this Law, shall develop a reorganisation plan for the bank under resolution, in accordance with the criteria under paragraphs (4) and (5) of this Article and shall submit it to the National Bank.

(2) If the bail-in tool is applied to two or more entities of the same resolution group in the Republic of North Macedonia, the reorganisation plan shall be prepared by the parent entity and shall apply to all entities of the group and shall be submitted to the competent group resolution authority within the deadline under paragraph (1) of this Article. The competent group resolution authority shall submit the reorganisation plan under this paragraph to competent resolution authorities for the group entities.

(3) By way of derogation from paragraph (1) of this Article, the National Bank may allow an additional period of two months for drawing-up the reorganisation plan under paragraphs (1) and (2) of this Article, if necessary, for the purpose of achieving the resolution objectives.

(4) The reorganisation plan shall contain measures that should be taken in order to restore the long-term viability of the bank under resolution or part of its activities. The measures should be based on realistic assumptions about the economic situation and the financial market conditions in which the bank under resolution will operate, which means taking into account the best-case and worst-case assumptions about the current situation and future prospects of the financial

market, including identifying significant shortcomings and potential problems of the bank under resolution.

(5) The reorganisation plan shall include at least the following elements:

- 1) a detailed assessment of the factors, problems and conditions that caused the bank to meet the conditions under Article 19 paragraph (1) item 1) of this Law;
- 2) a description of the measures to be taken in order to restore the long-term viability of the bank;
- 3) dynamics / time frame for implementation of those measures.

(6) The measures under paragraph (5) item 2 of this Article may include:

- reorganisation of the manner of operating of the bank under resolution;
- changes in the organizational structure and the operating systems of the bank under resolution;
- termination of the loss-making activities of the bank under resolution;
- restructuring of the activities performed by the bank / products and services offered by the bank in order to increase their competitiveness;
- sale of the assets or business lines of the bank under resolution;
- other activities for the purpose of restoring the long-term viability of the bank.

(7) Within one month after receiving the reorganisation plan, the National Bank shall approve it if it deems that the implementation of the submitted reorganisation plan will restore the long-term viability of the bank.

(8) If the National Bank assesses that the implementation of the reorganisation plan will not achieve the objectives under paragraph (7) of this Article, the National Bank shall submit a notification to the bank's management board or to the persons responsible for exercising the powers under Article 59 paragraph (1) of this Law, requiring appropriate revision of the reorganisation plan.

(9) Within two weeks after receiving the notification under paragraph (8) of this Article, the management board of the bank or the persons in charge of exercising the powers under Article 59 paragraph (1) of this Law shall submit a revised reorganisation plan to the National Bank. Within one week of receiving the revised reorganisation plan, the National Bank shall notify the management board of the bank or the persons in charge of exercising the powers under Article 59 paragraph (1) of this Law whether it approves the plan or additional review is required.

(10) The bank's management board or the persons in charge of exercising the powers under Article 59 paragraph (1) of this Law shall implement the approved reorganisation plan, including the revised reorganisation plan under paragraph (12) of this Article, and submit reports to the National Bank on its implementation, at least on a semi-annual basis.

(11) The management board of the Bank or of the persons in charge of exercising the powers under Article 59 paragraph (1) of this Law shall revise the approved reorganisation plan, if during its implementation they receive a notification from the National Bank that this is necessary in order to achieve the objectives of paragraph (4) of this Article.

(12) The revised reorganisation plan from paragraph (11) of this Article shall be reviewed and approved by the National Bank, within the deadlines stipulated in paragraph (9) of this Article.

(13) Where the bank resolution procedure includes implementation of regulation governing the use of state aid and preparation of a restructuring plan for that purpose, the reorganisation plan of the bank under this Article of the Law shall be harmonized with the plan submitted in the procedure for assessment of state aid.

(14) The National Bank Council shall adopt a bylaw to prescribe the content and manner of assessment of the reorganisation plan, in accordance with paragraph (5) of this Article and the content of the reports under paragraph (10) of this Article.

(15) By way of derogation from Article 23 paragraph (19) item 1) of this Law, if the National Bank deems it necessary, it shall extend the period of appointment of the special management due to its involvement in the preparation of the reorganisation plan and the implementation of the measures contained in the plan.

Effects of bail-in Article 41

(1) The reduction of principal or outstanding amount due and the conversion of relevant capital instruments and eligible liabilities or the cancellation of relevant instruments, carried out in accordance with Article 43 paragraph (1) and Article 48 paragraph (2) items 7) to 11) of this Law is binding on the bank under resolution and the creditors or shareholders whose claims, i.e. instruments have been written down, converted or cancelled.

(2) The National Bank shall have the power to conduct or require the implementation of all administrative activities and procedures necessary for giving effect to the activities under Article 43 paragraph (1) and Article 48 paragraph (2) items 7) to 11) of this Law, including:

- amendments to the relevant registers;
- delisting or removal from trading of instruments of ownership or debt instruments on the official market or on the regular market;
- listing or admission to trading of new instruments of ownership or debt instruments on the official market, i.e. received on the regular market;
- relisting or readmission of debt instruments that were written down on the official market, i.e. their readmission to the regular market, without the obligation to re-issue the prospectus in accordance with the law governing the operation with securities.

(3) All institutions and entities to which the National Bank has submitted a request for implementation of the activities under paragraph (2) of this Article shall act upon the submitted request without delay.

(4) If the National Bank reduces to zero the principal or the outstanding amount payable in respect of a liability in accordance with Article 48 paragraph (2) item 7) of this Law, that liability, together with any other obligation or claim related to it that are not accrued on the day on which the National Bank made the reduction, shall be deemed to have been discharged and shall not be provable in any subsequent procedure with respect to the bank under resolution or any of its legal successors.

(5) If the National Bank partially reduces the principal or the outstanding amount payable in respect of a liability in accordance with Article 48 paragraph (2) item 7) of this Law, the liability shall be deemed to have been discharged to the extent of the amount reduced, while the remaining amount of the liability shall continue to apply in accordance with the contract, taking into account the changes made in terms of the amount of interest due to the reduction of the principal amount, as well as any other changes that the National Bank may make, in accordance with Article 48 paragraph (2) item 12) of this Law.

Contractual recognition of bail-in Article 42

(1) The Bank shall include in the contract for issuance, i.e. for creating a liability, appropriate provisions based on which the creditor or other contractual party shall know that the liability may be subject to write-down or conversion and shall agree to be bound by any reduction in the

principal or outstanding amount due, conversion or cancellation which may be carried out by the National Bank, provided that such liability:

- 1) is not excluded under Article 32 paragraph (2) of this Law;
- 2) is not an eligible deposit that exceeds the amount of compensation and
- 3) is governed by the law of another country.

(2) The National Bank may decide that the provisions of paragraph (1) of this Article shall not apply to a bank for which the minimum requirement for own funds and eligible liabilities set out in Article 10 of this Law is determined only on the basis of the loss absorption amount, in accordance with Article 12 paragraph (3) of this Law, but only if the liabilities under paragraph (1) of this Article are not taken into account when determining the fulfillment of the minimum requirement for own funds and eligible liabilities.

(3) The provisions of paragraph (1) of this Article shall not apply to liabilities which may be written down pursuant to the law of another country or to an agreement concluded with another country.

(4) The bank shall notify the National Bank if it has determined that due to a legal or other impediment it cannot include appropriate provisions in accordance with paragraph (1) of this Article, specifying the type of that liability.

(5) Together with the notification referred to in paragraph (4) of this Article, the bank shall submit to the National Bank a detailed explanation of the determined impediment to the application of the provisions of paragraph (1) of this Article, and shall submit, at the request of the National Bank, additional information and/or documentation for the National Bank to assess the effect of such notification on the resolvability of the bank.

(6) From the date on which the National Bank received the notification under paragraph (4) of this Article, the requirement to include the appropriate provisions in accordance with paragraph (1) of this Article ceases to apply in relation to that liability.

(7) If the National Bank, based on the information and documentation submitted in accordance with paragraph (5) of this Article, finds no legal or other impediment to the application of the provisions of paragraph (1) of this Article, it shall require the bank to apply within a reasonable timeframe the provisions of paragraph (1) of this Article to the liabilities under paragraph (4) of this Article, as well as to amend its practices concerning the application of the exemption from contractual recognition of bail-in.

(8) If the National Bank determines that within a certain class of liabilities, the amount of the liabilities under paragraph (1) of this Article, together with the amount of liabilities of that class which are excluded from the bail-in tool in accordance with Article 32 paragraph (2) or which may be excluded by the National Bank in accordance with Article 33 of this Law, exceeds 10% of the total amount of that class, it shall assess the impact of such excluded amount on the resolvability of the bank, including the impact on the resolvability from the risk of breaching the safeguards under Article 61 of this Law when applying the write-down or conversion of eligible liabilities.

(9) If the National Bank determines that the cases under this Article constitute significant impediment to the resolvability of the bank, it shall take appropriate measures in accordance with Article 9 of this Law.

(10) Liabilities which do not meet or which, in accordance with this Article, are not subject to the requirements under paragraph (1) of this Article, shall not be counted towards the minimum requirement for own funds and eligible liabilities under Article 10 of this Law.

(11) The National Bank may require the bank to provide a legal opinion on the legal basis for implementation of the provisions of paragraph (1) of this Article.

(12) The National Bank may write-down or convert the liability under paragraph (1) of this Article, even in cases when the bank did not include relevant contractual provisions in accordance with paragraph (1) of this Article.

CHAPTER IV

WRITE DOWN AND CONVERSION OF RELEVANT CAPITAL INSTRUMENTS AND ELIGIBLE LIABILITIES

Conditions for write down or conversion of relevant capital instruments and eligible liabilities

Article 43

(1) The National Bank may decide to write down or to convert relevant capital instruments and eligible liabilities under paragraph (3) of this Article, issued by the bank, into shares or other instruments of ownership of the bank or other legal entity referred in Article 2 paragraph (1) of this Law:

- 1) independently of a resolution action or
- 2) together with other resolution actions when the conditions for resolution have been fulfilled in accordance with Article 19 or 20 of this Law.

(2) After the application of the power to write-down and convert the relevant capital instruments or eligible liabilities under paragraph (3) of this Article, in accordance with paragraph (1) item 1) of this Article, the assessment under Article 61 shall be performed and Article 62 of this Law shall apply.

(3) The National Bank Council shall adopt a bylaw detailing the conditions to be met for the eligible liabilities to be subject to write-down and conversion of eligible liabilities under paragraph (1) of this Article, taking into account the principle under Article 18 paragraph (1) item 8) of this Law. The bylaw shall also determine the manner of writing-down and converting relevant capital instruments and eligible liabilities.

(4) When applying the write-down or conversion of relevant capital instruments or eligible liabilities under paragraph (3) of this Article, the provisions of Article 36 of this Law shall apply accordingly.

(5) When taking resolution actions towards the resolution entity, the amount that is reduced, written down or converted in accordance with Article 44 paragraph (1) of this Law, shall be determined in relation to the thresholds of Article 24 paragraph (6) item 1) and Article 34 paragraph (2) item 1) or Article 34 paragraph (6) item 1) of this Law, which are applicable to the resolution entity.

(6) The National Bank shall carry out the write down or conversion of relevant capital instruments or eligible liabilities under paragraph (3) of this Article, issued by the bank or other legal entity under Article 2 paragraph (1) of this Law, in accordance with Article 44 of this Law and without delay, if it considers that at least one of the following conditions has been met:

- 1) the conditions for bank resolution under Article 19 of this Law are met;
- 2) the bank or the banking group will not be able to continue to operate unless the relevant capital instruments or eligible liabilities under paragraph (3) of this Article are written down or converted;
- 3) the bank has requested extraordinary public financial support, with the exception of the cases under Article 19 paragraph (2) item 4) of this Law.

(7) In the cases under paragraph (6) item 1) of this Article, the National Bank shall write-down or convert relevant capital instruments or eligible liabilities before taking any resolution action.

(8) For the purposes of paragraph (6) item 2) of this Article, the bank or the banking group shall be deemed no longer viable, if the following two condition have been met:

- 1) in relation to the bank, one of the conditions under Article 19 paragraph (2) of this Law has been met, i.e. the banking group does not meet or there are objective circumstances indicating that in the near future it will not meet the requirements under the law governing the operations of banks on a consolidated basis, to the extent that would justify taking supervisory measures pursuant to that law, including because the group has incurred or is likely to incur losses that will reduce all or a significant amount of its own funds, and
 - 2) in view of the circumstances, it is unlikely that any action, including measures initiated by the private sector or supervisory measures, would in a reasonable period prevent the bank or the banking group from failure.
- (9) Before carrying out the write down or conversion of relevant capital instruments and eligible liabilities under paragraph (3) of this Article, the National Bank shall provide a valuation of the assets and liabilities of the bank in accordance with Article 21 of this Law. Based on the valuation, the amount of the write down of relevant capital instruments and eligible liabilities under paragraph (3) of this Article required for absorbing losses and the level of conversion of the relevant capital instruments and eligible liabilities under paragraph (3) of this Article necessary for the bank's recapitalization, shall be determined.

Carrying out a write down or conversion of capital instruments and eligible liabilities

Article 44

- (1) The National Bank shall carry out the write down or conversion of the relevant capital instruments and eligible liabilities under Article 43 paragraph (3) of this Law in a reverse order from the order of priority of claims in a bankruptcy proceeding of a bank, in the following manner:
- 1) Common Equity Tier 1 instruments are reduced first, in proportion to the amount of losses and to the extent of capacity of those capital instruments, and the National Bank undertakes one or both the measures under Article 36 paragraph (1) of this Law in respect of bank's shareholders;
 - 2) the principal amount of Additional Tier 1 instruments is written down and/or converted into Common Equity Tier 1 instruments up to the amount necessary for achieving the resolution objectives or up to the total amount of those capital instruments, whichever is lower;
 - 3) the principal amount of Tier 2 instruments is written down and/or converted into Common Equity Tier 1 instruments up to the amount necessary for achieving the resolution objectives or up to the total amount of those capital instruments, whichever is lower;
 - 4) the principal amount of eligible liabilities in accordance with Article 43 paragraph (3) of this Law shall be written down and/or converted into Common Equity Tier 1 instruments up to the amount necessary for achieving the resolution objectives or up to the total amount of the relevant eligible liabilities, whichever is lower.
- (2) When writing down the relevant capital instruments and eligible liabilities under Article 43 paragraph (3) of this Law:
- 1) the write down shall be permanent, with the possibility of increasing the value in accordance with Article 35 paragraph (4) of this law;
 - 2) no liabilities to the holder of the relevant capital instrument or eligible liability under Article 43 paragraph (3) of this Law shall remain under or in connection with the amount of the capital instrument which has been written down, except for liabilities already accrued and liabilities for damages arising from an appeal challenging the legality of the exercise of the write down power;

- 3) the holder of the relevant capital instrument or eligible liability under Article 43 paragraph (3) of this Law shall not be paid compensation, except in accordance with paragraph (3) of this Article.
- (3) To convert the relevant capital instruments and eligible liabilities under Article 43 paragraph (3) of this Law in accordance with paragraph (1) item 2), 3) and 4) of this Article, the National Bank may require the bank to issue Common Equity Tier 1 instruments to the holders of the relevant capital instruments and eligible liabilities. Relevant capital instruments and eligible liabilities may be converted into Common Equity Tier 1 instruments under the following conditions:
- 1) those Common Equity Tier 1 instruments are issued by the bank or its parent entity, with prior approval from the National Bank or if applicable, with the approval of the resolution authority of the parent entity;
 - 2) those Common Equity Tier 1 instruments are issued prior to any issuance of shares or other instruments of ownership by the bank for the purpose of providing state aid for recapitalization;
 - 3) those Common Equity Tier 1 instruments are awarded and transferred without delay following the exercise of the conversion power;
 - 4) the conversion rate that determines the number of Common Equity Tier 1 instruments for each relevant capital instrument or each eligible liability is in accordance with the principles of Article 39 of this Law and the bylaw adopted on the basis of that Article.
- (4) In order to provide Common Equity Tier 1 instruments in accordance with paragraph (3) of this Article, the National Bank may require the bank to obtain all necessary prior approvals from the competent authorities for issuing the necessary number of Common Equity Tier 1 instruments.
- (5) If the conversion of the relevant capital instruments and eligible liabilities results in an acquisition of qualified holding or increase in the qualified holding in the bank, the provisions of Article 36 paragraphs (5) and (6) of this Law shall apply.
- (6) The National Bank Council shall adopt a bylaw to prescribe the type of documentation, the conditions and the procedure for issuing the permission under paragraph (3) item 1) of this Article.

CHAPTER V

STATE FINANCIAL STABILIZATION TOOLS

State financial stabilization tools

Article 45

- (1) The Government of the Republic of North Macedonia may provide extraordinary public financial support through state financial stabilization tools, with involvement in the bank resolution procedure in order to prevent its bankruptcy and to achieve the resolution objectives under Article 17 paragraph (1) of this Law.
- (2) State financial stabilization tools shall be used only if conditions under Article 24 paragraph (6) of this Law are met and in accordance with the regulations governing the use of state aid, as a last resort after other resolution tools have been taken into account.
- (3) State financial stabilization tools include:
- 1) state aid for recapitalization and
 - 2) temporary state ownership.

(4) The Government of the Republic of North Macedonia, based on the information received from the National Bank on the financial position of the bank and the measures taken against the bank, as well as the recommendation/request from the National Bank, may decide to apply the state financial stabilization tools if the conditions under Article 19 paragraph (1) of this Law and one of the following conditions are met:

- 1) the Ministry of Finance and the National Bank have determined that the application of the resolution tools would not be sufficient to prevent a significant adverse impact on the financial system; or
- 2) the Ministry of Finance and the National Bank have determined that the application of the resolution tools would not be sufficient to protect the public interest, in cases when the bank has already been approved an emergency liquidity assistance by the National Bank.

(5) The state financial stabilization tools shall be determined and applied by the Government of the Republic of North Macedonia, in cooperation with the National Bank, provided that granting the extraordinary public financial support has been approved in accordance with the regulations governing the use of state aid.

(6) For the purpose of applying state financial stabilization tools, the Government of the Republic of North Macedonia shall adequately have the resolution powers under Chapter VI. of this Law.

State aid for recapitalization

Article 46

(1) In accordance with the law governing trade companies, the Government of the Republic of North Macedonia may participate on behalf of the Republic of North Macedonia in the recapitalization of a bank under resolution by providing capital in exchange for:

- 1) Common Equity Tier 1 instruments;
- 2) Additional Tier 1 instruments; or
- 3) Tier 2 instruments.

(2) To the extent that the shareholding of the Republic of North Macedonia in a bank under resolution permits, the Government of the Republic of North Macedonia shall provide that the bank in which state aid for recapitalization tool has been applied is managed with due care.

(3) If the state aid for recapitalization tool is applied, the Government of the Republic of North Macedonia shall provide that the shareholding of the Republic of North Macedonia in a bank is sold to a private purchaser as soon as conditions for sale allow it.

Temporary state ownership

Article 47

(1) The Government of the Republic of North Macedonia may transfer the bank under resolution into temporary state ownership. This tool applies only if state aid for recapitalization has already been given to the bank, while the Ministry of Finance and the National Bank have determined that the application of the resolution tools would not be sufficient to protect the public interest.

(2) In the cases under paragraph (1) of this Article, the Government of the Republic of North Macedonia shall issue one or more orders to the Central Securities Depository for transfer of the shares in the bank to a fully state-owned company, which the Central Securities Depository shall execute without delay.

(3) The Government of the Republic of North Macedonia shall provide that the bank under resolution in which the tool under paragraph (1) of this Article has been applied is managed with due care and sold to a private purchaser as soon as conditions for sale allow it.

CHAPTER VI POWERS OF THE NATIONAL BANK AS A RESOLUTION AUTHORITY

General powers Article 48

(1) The National Bank shall have the right to access all data and information necessary for the preparation and implementation of resolution actions, as well as for updating and supplementing the resolution plans, while the bank, bank employees, shareholders and other persons shall provide access and all data and information necessary for the performance of its competencies, as well as access to the bank premises for the purpose of conducting on-site supervision under paragraph (2) item 1) of this Article.

(2) The National Bank as a resolution authority may exercise the following powers individually or in any combination:

- 1) request and obtain data and information pursuant to paragraph (1) of this Article, including through on-site supervision in a bank conducted in accordance with the law governing the operations of banks, as well as impose measures for implementation of this Law in accordance with Article 9 of this Law;
- 2) apply the bank resolution tools specified in this Law;
- 3) take over the powers of the assembly of shareholders, the supervisory board and the management board of the bank under resolution;
- 4) replace the members of the supervisory board and/or the management board of the bank under resolution, as well as persons with special rights and responsibilities;
- 5) transfer shares or other instruments of ownership issued by the bank under resolution;
- 6) transfer the assets, rights or liabilities of the bank under resolution to another entity with its consent;
- 7) reduce completely or partially the principal amount or the outstanding amount due in respect of bail-inable liabilities of the bank under resolution;
- 8) convert the bail-inable liabilities of the bank under resolution into shares or other instruments of ownership of that bank, its parent entity or the bridge bank to which the assets, rights or liabilities of the bank under resolution have been transferred;
- 9) cancel debt instruments issued by the bank under resolution, except for the liabilities excluded pursuant to Article 32 paragraph 2 of this Law;
- 10) reduce fully or partially the nominal value of the shares or other instruments of ownership issued by the bank under resolution or withdraw the shares;
- 11) require the bank under resolution or its parent entity to issue new shares or other instruments of ownership or other capital instruments, including preference shares and convertible bonds;
- 12) amend the maturity of debt instruments and other bail-inable liabilities issued by the bank under resolution, change the interest rate on those instruments and liabilities and the date on which the interest should be paid, including temporary suspension of payment, except for the liabilities excluded in accordance with Article 32 paragraph 2 of this Law;

- 13) close-out or terminate financial contracts or financial derivative contracts for the purpose of applying Article 38 of this Law.
- (3) The on-site control under paragraph (2) item 1) of this Article shall be performed by persons employed in the National Bank.
- (4) The National Bank Council shall adopt a bylaw, detailing the manner of conducting the on-site supervision and taking measures under paragraph (2) item 1) of this Article.
- (3) Unless otherwise stipulated by this Law, with regard to the application of the resolution powers and tools in accordance with this Law, the National Bank shall not be subject to the requirements set in the provisions of other laws and agreements that refer to the following issues:
- 1) obtaining consent or approval from a competent authority or any legal entity or natural person, including shareholders and creditors of the bank under resolution;
 - 2) an obligation to submit data, including publishing a notice or prospectus, or submitting and registering any document with a competent authority; and
 - 3) restrictions on the transfer or obligation to obtain consent for the transfer of financial instruments, rights, assets or liabilities.

Additional powers Article 49

- (1) If considered necessary for the accomplishment of one or more of the resolution objectives, within the bank resolution procedure, the National Bank shall have the power:
- 1) to ensure that financial instruments, assets, rights or liabilities are transferred without any additional liabilities or encumbrances affecting them, except in the cases under Article 63 of this Law, where the right to compensation in accordance with this Law is not considered for liability;
 - 2) to remove the right to acquire new shares or other instruments of ownership;
 - 3) to require the competent authority to terminate the trading in securities of the bank under resolution and to exclude the bank from the regular or official market;
 - 4) to require the competent institution not to carry out the transfer of securities, with the exception of commercial transactions concluded before the adoption of the decision for initiating the procedure for the bank resolution under Article 22 of this Law;
 - 5) to provide that the recipient to be treated as if it were the bank under resolution in respect of any rights or obligations of, or actions taken by the bank under resolution, including rights and obligations related to participation in market infrastructure in accordance with Articles 26 and 28 of this Law;
 - 6) to require the bank under resolution or the recipient to exchange information among themselves;
 - 7) to terminate contract or modify terms of contract concluded by the bank under resolution or to provide the recipient to replace the bank as a contracting party.
- (2) In order to ensure the continuity of the business that has been transferred, the National Bank shall have the right to require:
- 1) continuation of contracts concluded by the bank under resolution, in such a way that the recipient assumes the rights and liabilities related to the financial instruments, assets, rights and liabilities that are transferred and replaces the bank under resolution as a contracting party;
 - 2) substitution of the recipient for the bank under resolution in all legal proceedings related to the financial instruments, assets, rights or liabilities transferred to it.

(3) The powers under paragraph (1) item 4) and paragraph (2) item 2) of this Article shall not affect:

- 1) the right of an employee of a bank under resolution to terminate an employment contract;
- 2) the exercise of the rights of a contracting party, including the right to terminate the contract concluded with the bank under resolution, if provided for by the contract, due to an act or omission by the bank under resolution prior to the transfer, or by the recipient after the transfer, with an exception to the cases referred in Articles 53, 55, 56 and 57 of this Law.

Power in the early intervention phase

Article 50

If the conditions for early intervention are met in accordance with the law governing the operations of banks, the National Bank may require the bank to contact potential purchasers in order to prepare for the bank for resolution procedure, in compliance with the principles of Article 27 paragraph (2) of this Law and the provisions on confidentiality under Article 65 of this Law.

Power to require provision of services and use of facilities

Article 51

(1) The National Bank shall have the right to adopt a decision requiring the bank under resolution or other member of the banking group to provide services or use of facilities necessary for the recipient to effectively perform the tasks transferred to it.

(2) The National Bank shall have the right to adopt a decision in accordance with paragraph (1) of this Article even if a bankruptcy procedure of the bank under resolution or of another member of the banking group is initiated.

(3) The provision of services and the use of facilities in accordance with this Article does not include any financial support.

(4) The services shall be provided and the facilities shall be used under the following terms:

- 1) if the services or facilities were provided under an agreement to the bank under resolution immediately before the resolution action was taken, on the same terms as for the duration of that agreement;
- 2) if there is no agreement for the provision of services or the use of facilities, or such an agreement has expired, on reasonable terms.

(5) The National Bank shall assess, depending on the circumstances of each individual case, whether and which services are needed for continuous performance of the transferred activity, rights and obligations, and especially the critical functions.

(6) When assessing whether the bank under resolution or another member of the banking group should be required to provide services or enable the use of facilities, at least the following areas shall be taken into account: information technology, human resources, processing of transactions, prevention of money laundering and terrorist financing, provision of business premises, legal services and compliance with regulations, asset management, risk management, accounting, cash management.

(7) The provision of services shall not include taking financial risks that could constitute financial support contrary to paragraph (2) of this Article.

Powers in respect of assets, rights, liabilities, shares and other instruments of ownership in other countries
Article 52

(1) In cases when the bank resolution involves taking actions in respect of assets located in another country or shares, other instruments of ownership, rights or liabilities governed by the law of another country, the National Bank shall have the right to adopt a decision requiring:

- 1) the special managers of the bank under resolution and the recipient to take all necessary steps in order to ensure the transfer, the write down, the conversion into shares or other actions;
- 2) the special managers of the bank under resolution to hold the shares, other instruments of ownership, assets or rights or to fulfill their obligations on behalf of the recipient, until the transfer, write down, conversion or other actions become effective;
- 3) the reasonable expenses of the recipient that occurred in carrying out the actions under items 1) and 2) of this paragraph, to be compensated in a manner defined in Article 24 paragraph (6) of this law.

(2) If the National Bank assesses that in spite of all actions taken by the special managers in accordance with paragraph (1) of this Article, it is unlikely that the transfer, conversion or other actions will become effective in relation to the assets located in a third country or shares, other instruments of ownership, rights or liabilities under the law of a third country, it shall not proceed with the transfer, write down, conversion or other actions. If a decision has already been taken for the transfer, write down, conversion or any other action, it will cease to be valid.

Exclusion of certain contractual terms in bank resolution
Article 53

(1) The application of a crisis prevention measure, the power to suspend payment or delivery obligations under Article 54 of this Law or the application of a crisis management measure, including the occurrence of an event directly related to the application of those measures, shall not per se be considered non-fulfillment of the obligations nor shall give the right to a counterparty to:

- 1) exercise any termination, suspension, modification, netting or set-off rights, including in relation to:
 - a contract concluded by a subsidiary of the bank, where the obligations from the contract are guaranteed by an entity from the banking group; or
 - a contract concluded by any entity from the banking group, where the contract includes cross-default provisions;
- 2) obtain possession, exercise control or enforce a collateral over any property of the bank under resolution or any entity from the banking group, in relation to a contract which includes cross-default provisions;
- 3) affect any contractual rights of the bank under resolution or to any entity from the banking group in relation to a contract which includes cross-default provisions.

(2) Paragraph (1) of this Article shall also apply to contracts concluded by:

- 1) a subsidiary of the bank, where the obligations of the contract are guaranteed by the bank or another person from the banking group; or
- 2) any person from a banking group, where the contract includes cross-default provisions.

(3) The provisions under paragraphs (1) and (2) of this Article shall not affect the right of a counterparty to take the actions under paragraph (1) of this Article, where that right arises by

virtue of an event which is not result of the application of crisis prevention measure, crisis management measure or of occurrence of any event directly linked to the application of such a measure.

(4) The suspension or restriction under Articles 54, 55, 56 and 57 of this Law shall not be considered non-fulfillment of the contractual obligations in terms of this Article of the Law.

**Power to suspend payment or delivery obligations before making a decision to
initiate a bank resolution
Article 54**

(1) The National Bank shall have the right to adopt a decision whereby the payment obligations or fulfillment of other obligations under any contract concluded by the bank are temporarily suspended, if the following conditions are met:

- 1) the bank is failing or likely to fail;
- 2) no other measure is available in accordance with Article 19 paragraph 1) item 2) of this Law that could prevent the failure of the bank;
- 3) the suspension is considered necessary to prevent further deterioration of the bank's financial condition; and
- 4) the suspension is considered necessary to:
 - assess the existence of public interest or
 - take appropriate resolution action or ensure the effective application of a resolution tool.

(2) As an exception to paragraph (1) of this Article, the decision on suspension shall not apply to payment and delivery obligations towards:

- 1) the payment systems, securities settlement systems and the operators there of;
- 2) the central contracting parties;
- 3) central banks.

(3) When deciding on the liabilities that shall be subject to the decision under paragraph (1) of this Article, the National Bank shall take into account the circumstances of each individual case and assess whether it is appropriate to apply the decision to eligible deposits in the bank, and especially to covered deposits.

(4) If the decision of the National Bank under paragraph (1) of this Article is applied to the eligible deposits, it shall determine the appropriate daily amount of those deposits which shall be made available to the depositors.

(5) The National Bank shall publish a notification on the adopted decision under paragraph (1) of this Article as specified in Article 22 paragraph (8) of this Law.

(6) The bank shall publish a notification on its website on the decision under paragraph (1) of this Article.

(7) The suspension shall be valid from the moment of its announcement in accordance with paragraph (5) of this Article and shall last as long as necessary for the purposes under paragraph (1) items 3) and 4) of this Article, and no later than midnight the next business day after the announcement under paragraph (5) of this Article.

(8) When applying the power referred to in this Article, the National Bank shall take into account the possible effects on the normal functioning of the financial markets, as well as the rights of the creditors in a bank bankruptcy procedure in accordance with the principles under Article 18 paragraph (1) items 7) and 8) of this Law.

(9) If the payment and delivery obligations of the bank are suspended in accordance with paragraph (1) of this Article, the payment and delivery obligations of the other counterparty shall be suspended for the same period.

(10) The payment or delivery obligation that would have been due during the period of suspension shall become due immediately after the expiration of that period.

(11) The National Bank shall, without delay, notify on the decision under paragraph (1) of this Article, the bank to which the decision applies, the Deposit Protection Agency, the Ministry of Finance, the competent supervisory authority and the competent resolution authority referred to in Article 19 paragraph (9) lines 2, 3 and 4 of this Law.

(12) With the decision under paragraph (1) of this Article, the National Bank may, for the duration of the suspension, simultaneously:

1) restrict the right of the creditors of the bank to enforce security interest in relation to any assets of the bank, applying the provisions of Article 56 paragraphs (3) and (4) of this Law;

2) defer the right of any counterparty to terminate the contract concluded with the bank, applying the provisions of Article 57 paragraphs (4) to (8) of this Law.

(13) If after the adoption of the decision under paragraph (1) of this Article, the National Bank decides to initiate bank resolution procedure, it may not apply the powers under Articles 55, 56 and 57 of this Law to that bank.

Power to suspend payment or delivery obligations after making a decision to initiate a bank resolution procedure

Article 55

(1) The National Bank shall have the right to adopt a decision whereby all payment or delivery obligations under a contract concluded by the bank under resolution are suspended. The National Bank shall publish the notification of the issued decision as defined in Article 22 paragraph (8) of this Law.

(2) The suspension shall be valid from the moment of announcement of the suspension in accordance with paragraph (1) of this Article until midnight the next business day following the announcement.

(3) The payment or delivery obligation that would have been due during the period of suspension shall become due immediately after the expiration of that period.

(4) If the payment or delivery obligations under a contract of the bank under resolution are suspended in accordance with paragraph (1) of this Article, the payment or delivery obligations of the counterparties under that contract shall be suspended for the same period.

(4) Notwithstanding paragraph (1) of this Article, the decision on temporary suspension shall not apply to payment obligations and delivery obligations towards:

1) payment systems, securities settlement systems and the operators thereof;

2) central counterparties and

3) central banks.

(5) When exercising the power under this Article, the National Bank shall take into account the possible impact on the normal functioning of the financial markets.

(6) Having regard to the circumstances of each individual case, the National Bank shall assess whether it is appropriate for the power under paragraph (1) of this Article to be applied to eligible deposits, especially to covered deposits in the bank. In the National Bank decision whereby the power under paragraph (1) of this Article is also applied to eligible deposits, an appropriate daily amount of those deposits available to the depositors may be determined.

Power to restrict the enforcement of collateral

Article 56

(1) The National Bank shall have the right to adopt a decision on temporarily restricting the right of creditors to the bank under resolution from enforcing collateral in relation to any bank's asset. The National Bank shall publish the notification of the issued decision as defined in Article 22 paragraph (8) of this Law.

(2) The restriction shall be valid from the moment of announcement of the restriction in accordance with paragraph (1) of this Article until midnight the following business day after the announcement.

(3) Notwithstanding paragraph (1) of this Article, the decision on temporary restriction shall not apply to:

- 1) collateral given to payment system and securities settlement systems and the operators thereof;
- 2) central counterparties and
- 3) central banks, over assets pledged as collateral by the bank under resolution.

(4) In cases under Article 64 of this Law, the National Bank shall take into account whether the restrictions derived from the powers under paragraph (1) of this Article are consistent for all group members in relation to which resolution actions are taken.

(5) When exercising the power under this Article, the National Bank shall take into account the possible impact on the normal functioning of the financial markets.

Power to temporarily suspend termination rights

Article 57

(1) The National Bank shall have the right to take a decision on temporarily suspending the termination right of counterparty to a contract concluded with the bank under resolution, provided that the payment and delivery obligations and the provision of collateral continue to be performed.

(2) The National Bank shall publish the notification of the adopted decision as specified in Article 22 paragraph (8) of this Law.

(3) The suspension in accordance with paragraphs (1) and (4) of this Article shall be valid from the moment of announcement of the suspension until midnight the following business day after the announcement.

(4) The power under paragraph (1) of this Article may also apply to a contract that counterparty has concluded with a subsidiary of the bank under resolution, if:

- 1) the fulfillment of the obligations under the contract is guaranteed or otherwise provided by the bank under resolution;
- 2) the termination rights are based solely on the solvency or financial condition of the bank under resolution; and
- 3) in case of a transfer of assets, rights or liabilities of the bank under resolution in accordance with this Law, all the assets, rights and liabilities of the subsidiary relating to the contract have been or may be transferred to the recipient or the National Bank provides such obligations otherwise.

(5) Notwithstanding paragraphs (1) and (4) of this Article, the decision on temporary suspension shall not apply to:

- 1) payment systems, securities settlement systems and the operators thereof;
- 2) central counterparties and
- 3) central banks.

(6) Notwithstanding paragraphs (1) to (5) of this Article, a counterparty may terminate the contract prior to the expiration of the suspension period, provided that it has received a notification from the National Bank that the assets, rights or liabilities covered by the contract shall not be transferred to the recipient or shall not be written down or converted into shares when applying the bail-in tool.

(7) The right to terminate the contract under paragraphs (1) and (4) of this Article may be exercised on the expiry of the suspension period, in accordance with Article 53 of this Law, as follows:

- 1) if the rights and liabilities covered by the contract have been transferred to a recipient, a counterparty may terminate the contract only if the conditions for termination of the contract occurred after the transfer;
- 2) if the rights and liabilities covered by the contract remain with the bank under resolution, and the National Bank has not applied the bail-in tool, a counterparty may terminate the contract if termination conditions occur after the suspension period.

(8) When applying the powers under this Article, the National Bank shall take into account the possible effects on the normal functioning of the financial markets.

Contractual recognition of powers of suspension and restriction in financial contracts to which the law of another country applies

Article 58

(1) The bank shall ensure that the financial contracts to which the law of another country applies, contain provisions which stipulate that the rights and obligations arising from that contractual relationship may be subject to suspension or restriction in accordance with Articles 54 to 57 of this Law and that the provisions of Article 53 of this Law shall also apply to them.

(2) Paragraph (1) of this Article shall apply to any financial contract which:

- 1) creates a new obligation or significantly changes the existing obligation and
- 2) envisages exercise of the right to terminate or enforce the security, to which Articles 53 to 57 of this Law would apply, if the financial contract was regulated in accordance with the legal acts of the Republic of North Macedonia.

(3) Irrespective of whether the financial contract contains provisions in accordance with paragraph (1) of this Article, the National Bank may exercise the powers under Articles 53 to 57 of this Law in relation to that financial contract.

Exercise of the resolution powers

Article 59

(1) During the implementation of the resolution actions, the National Bank may exercise control over the bank under resolution, so as to:

- 1) manage the bank under resolution with all the powers of its shareholders, its management board and its supervisory board; and
- 2) manage and dispose of the property of the bank under resolution.

(2) The National Bank may exercise the control under paragraph (1) of this Article directly or by persons appointed by the National Bank.

(3) The voting rights arising from the shares of the bank under resolution cannot be exercised while the resolution of the bank is ongoing.

(4) The National Bank may take resolution activities through individual administrative acts in its competence, without exercising control over the bank under resolution.

CHAPTER VII SAFEGUARDS

Treatment of shareholders and creditors in case of partial transfer and application of the bail-in tool

Article 60

(1) In cases when the National Bank, in applying one or more bank resolution tools, transfers only part of the assets, rights or liabilities of the bank under resolution, the shareholders and creditors whose claims have not been transferred, shall receive, as compensation for their claims, at least the amount they would have received if a bankruptcy proceedings or liquidation had been initiated in the bank at the time when the decision under Article 22 of this Law was taken.

(2) By way of derogation from paragraph (1) of this Article, in cases when the National Bank applies the bail-in tool, the shareholders and creditors whose claims have been written down or converted into shares do not incur greater losses than they would have incurred if a bankruptcy proceedings or liquidation have been initiated in the bank at the time when the decision under Article 22 of this law was taken.

Independent valuation of shareholders' and creditor's losses

Article 61

(1) For the purposes of assessing whether shareholders and creditors of the bank under resolution would have received better treatment if the bank under resolution had entered into bankruptcy proceedings or liquidation, the National Bank shall make sure that an independent valuation of difference in treatment is carried out as soon as possible after the resolution action have been effected.

(2) The valuation may be carried out only by an independent valuer who meets the requirements set in Article 21 paragraph (1) of this Law. If the valuation is carried out by the same independent valuer who carried out the valuation in accordance with Article 21 of this Law, these two valuations shall be distinct.

(3) The valuation under paragraph (1) of this Article shall specify:

- 1) the losses that the shareholders, creditors and the Deposit Insurance Fund would have had if a bankruptcy proceedings or liquidation has been initiated in the bank at the time when the decision to initiate a bank resolution was taken;
- 2) the losses of the shareholders and creditors of the bank in the bank resolution procedure; and
- 3) any difference in the amount of losses under items 1) and 2) of this paragraph.

(4) The valuation under paragraph (1) of this Article shall be based on the assumption that:

- 1) a bankruptcy proceedings or liquidation has been initiated at the time when the decision under Article 22 of this law was taken;
- 2) no actions have been taken for bank resolution; and
- 3) the bank has not been granted extraordinary public financial support.

(5) The National Bank Council shall adopt a bylaw, detailing the manner of carrying out the independent valuation of difference in treatment set in this Article.

Safeguards for shareholders and creditors

Article 62

(1) If the valuation under Article 61 of this Law determines that in the bank resolution procedure any shareholder, creditor or Deposit Insurance Fund in accordance with Article 79 paragraph (1) of this Law has incurred greater losses than would have incurred in a bankruptcy proceedings, it is entitled to payment of the difference from the Resolution Fund.

Protection for counterparties in case of partial transfers

Article 63

(1) If the National Bank transfers part of the assets, rights or liabilities from the bank under resolution or the bridge institution or the asset management vehicle to another entity or if it exercises the power under Article 48 paragraph (2) item 6) of this Law, the following contracts, arrangements and instruments shall be subject to adequate protection:

- 1) financial collateral arrangements with pledge right;
- 2) title transfer financial collateral arrangements;
- 3) arrangements/statements for set-off of two or more claims or obligations between the bank under resolution and a counterparty;
- 4) netting arrangements;
- 5) covered bonds;
- 6) structured finance arrangements, including securitisations and instruments used for hedging purposes which are an integral part of a cover pool and which, in accordance with the applicable regulations, are secured in a way similar to the covered bonds, based on which a party to the arrangement or an agent or a proxy acquires or holds a security.

(2) The protection in accordance with paragraph (1) of this Article shall be applied regardless of the number of contracting parties in the arrangements and regardless of the following:

- 1) whether the legal relations have arisen on the basis of a contract, by a transfer of ownership right as security or other means or have arisen on the basis of law;
- 2) whether the legal relations arise under or are governed in whole or in part by the law of another state.

(3) The National Bank may not apply partial transfer of the rights and liabilities which may be subject to set-off or netting under a title transfer financial collateral agreement, a set-off arrangement or a netting arrangement concluded by the bank, nor may it request a modification or termination of the validity of the contractual provisions governing those rights and liabilities.

(4) For the purposes of paragraph (3) of this Article, rights and liabilities are to be treated as protected under such an arrangement if the parties to the arrangement are entitled to set-off or net those rights and liabilities.

(5) With regards to the liabilities secured under a financial collateral arrangement with a pledge right, the National Bank may not:

- 1) transfer the assets given as security for the liability, unless, at the same time, the liability and the benefit of the security are also transferred;
- 2) transfer the secured liability, unless, at the same time, the benefit of the security is also transferred;
- 3) transfer the benefit of the security, unless, at the same time, the secured liability is also transferred;
- 4) modify or terminate the financial collateral arrangement with a pledge right if, as a result, the liability ceases to be secured.

(6) The National Bank may not apply partial transfer of the rights and liabilities that are part of a structured finance arrangement neither a partial transfer of the covered bonds, nor it may modify or terminate the related rights and liabilities.

(7) By way of derogation from paragraphs (3), (4), (5) and (6) of this Article, in order to ensure the availability of covered deposits, the National Bank may:

- 1) transfer the covered deposits which are part of any of the contracts and arrangements under paragraphs (3), (4), (5) and (6) of this Article without simultaneously transferring other assets, rights or liabilities that are part of the same arrangement; and
- 2) transfer, modify or terminate those assets, rights or liabilities without simultaneously transferring the covered deposits.

(8) The National Bank Council shall adopt a bylaw, detailing the types of contracts, arrangements and instruments covered by paragraph (1) of this Article.

Protection of trading, clearing and settlement systems in partial transfers

Article 64

(1) The application of the bank resolution tools shall not affect the operation and the rules of the systems governed by the regulations related to settlement finality in payment and securities settlement systems, in cases where the National Bank:

- 1) applies a partial transfer of assets, rights or liabilities from the bank under resolution to another entity or
- 2) applies the additional powers, to terminate or amend the terms of a contract concluded by the bank under resolution or to ensure that the recipient replaces the bank as a counterparty.

(2) The transfer, amendment or termination under paragraph (1) of this Article may not revoke the transfer order neither impede the execution of the transfer, the netting order, the use of funds, securities and loans, in accordance with the law.

CHAPTER VIII

CONFIDENTIALITY, COOPERATION, EXCHANGE OF INFORMATION, RECOGNITION AND LIABILITY FOR DAMAGES

Confidentiality

Article 65

(1) The information and data obtained and created in relation to the bank resolution activities undertaken pursuant to this law, shall be considered confidential.

(2) The obligation to keep the confidentiality of the information and data under paragraph (1) of this Article shall be binding for the following persons:

- 1) the employees of the National Bank as a resolution and a supervisory authority and the National Bank Council members;
- 2) the employees of the Ministry of Finance;
- 3) the employees of the Deposit Protection Agency;
- 4) the special administrators appointed in accordance with this law;
- 5) potential purchasers/acquirers of shares, assets, rights or liabilities of the bank under resolution and their employees, who have received confidential information from the National Bank, regardless of whether the transfer was effected or not;

- 6) the employees of audit companies, legal consultants, valuers and other experts directly or indirectly engaged by the National Bank, the Ministry of Finance or the potential purchaser referred to in item 5) of this paragraph;
 - 7) the employees of the bridge bank or the asset management company;
 - 8) other employees of the National Bank and employees of other bodies directly or indirectly involved in bank resolution and
 - 9) other persons who, directly or indirectly, permanently or temporarily, provide or provided services to the persons under item (1) to item (8) of this paragraph, as well as the members of the management bodies of the entities referred to in item (1) to item (8) of this paragraph, insofar as they are not covered in those items.
- (3) The obligation to maintain the confidentiality of the information and data under paragraph (1) of this Article shall apply during and after the period of appointment, ie employment of the persons under paragraph (2) of this Article.
- (4) In order to ensure compliance with the obligations for confidentiality under paragraphs (1) and (3) of this Article, the legal entities under paragraph (2) items 1), 2), 3), 7) and 8) of this Article, as well as the bridge institution and the asset management company, shall adopt and apply internal rules regarding the confidentiality of the information and data under paragraph (1) of this Article.
- (5) The persons under paragraph (2) of this Article may not disclose to any person or authority any confidential information and data they received during the performance of their professional activities in accordance with this Law or received from the National Bank as a resolution authority and as supervisory authority in accordance with this Law, except if the disclosure is related to the performance of their duties in accordance with this Law or the information is disclosed in a shortened or aggregate form so that individual banks cannot be identified or a prior permission was granted by the National Bank or by the bank under resolution from which they have received the information.
- (6) The bodies or legal entities under paragraph (2) of this Article shall conduct an assessment of the impact that any disclosure of confidential information and data might have on the public interest related to the financial system, the implementation of monetary policy or the economy as a whole, on the business interests of individuals and legal entities, as well as on the supervision and the audit. This assessment shall include a specific assessment of the impact of each disclosure related to the content of the resolution plans and the conclusions of the resolvability assessment.
- (7) As an exception, confidential information and data may be exchanged between:
- 1) the persons under paragraph (2) of this Article within the legal entity in which they work or perform their function;
 - 2) the National Bank and competent foreign supervisory and resolution authorities, the Ministry of Finance, the Deposit Protection Agency, the competent bankruptcy court, the independent valuer or the potential purchaser, as well as in accordance with the provisions on confidentiality set in the Law on the National Bank of the Republic of North Macedonia.
- (8) The provisions of this Article shall not apply to the provision of information at the request of a competent court in accordance with the law.

Cooperation

Article 66

- (1) The National Bank shall cooperate with other competent resolution or supervisory authorities in the country or abroad for the purpose of achieving the resolution objectives under Article 17 of this Law and for exercising the activities and powers prescribed by this Law.

(2) The National Bank may establish the cooperation under paragraph (1) of this Article by concluding agreements on cooperation and exchange of information in accordance with Article 67 of this Law, as well as by establishing or participating in resolution colleges in accordance with Articles 68 and 69 of this Law, taking into account the provisions on confidentiality of Article 65 of this Act.

(3) The National Bank may conclude non-binding agreements for cooperation with the competent resolution authorities of other countries, as well as with the Single Resolution Board if:

- the parent company with its headquarters in the other country has a bank as subsidiary or has a branch in the Republic of North Macedonia, or
- a bank licensed by the National Bank has a branch or a subsidiary which is a credit institution or financial institution abroad.

Exchange of information Article 67

(1) The National Bank shall exchange information with the Ministry of Finance on the activities undertaken during the bank resolution if they may affect the public funds and in cases in which this Law provides for reporting or cooperation with the ministry.

(2) The National Bank shall exchange information with the Deposit Protection Agency regarding the planning, preparation and implementation of bank resolution actions.

(3) The National Bank may exchange confidential information and data with competent resolution and supervisory authorities from other countries if the following conditions are met:

1) the information and data which are exchanged are subject to confidentiality requirements and standards, which are at least considered to be equivalent to the requirements and standards laid down in Article 65 of this Law, where the exchange of personal data is performed in accordance with the regulations in the Republic of North Macedonia and in the other country governing the protection of personal data; and

2) the exchange of information and data is required for performing the powers of the competent authorities of another country in which the law regulating bank resolution contains provisions which are at least considered to be equivalent to the provisions of this Law, where, in accordance with the provisions of item 1) of this paragraph, the information and data shall not be used for purposes other than the resolution.

(4) Confidential data obtained from the competent resolution and supervisory authorities from other countries may be disclosed to third parties, only if the following conditions are met:

1) the competent authority that disclosed the confidential information has given consent for disclosure of that information;

2) the data is disclosed only for the purposes indicated in the consent under item 1) of this paragraph.

Resolution college Article 68

(1) The National Bank may establish a resolution college for a banking group, with members whose headquarters are located in other countries, for the purpose of implementing the obligations under Articles 7, 8, 9, 12 and 13 of this Law, as well as for the purpose of cooperation and recognition of the resolution procedure of another country.

(2) The following shall participate in the resolution college:

1) the competent resolution authorities of the countries in which the headquarters of each of the members of the resolution group is located, only if in accordance with the regulations in those countries, the competent resolution authority is subject to the same obligations for keeping confidentiality of data prescribed by this Law;

2) the Ministry of Finance;

3) the Deposit Protection Agency;

4) representatives of the central banks, the competent ministries and / or the deposit protection institutions of the countries in which the headquarters of each of the members of the resolution group is located, if they are not at the same time competent resolution authorities and if so decided by the competent resolution authority of that country;

(3) For the purposes of paragraph (2) of this Article, the following shall be considered competent resolution authorities which are subject to the same obligations for keeping confidentiality of data:

- competent resolution authorities from the EU member states;

- competent resolution authorities from third countries which, by decision of the European Commission, are recognized as countries with harmonized regulations for keeping confidentiality of data in bank resolution.

(4) In cases when a member of the resolution group is based in an EU member state, the resolution college may be attended by the Single Resolution Board, without the right to vote.

(5) Within the resolution college the following may be included:

1) exchange of data and information for the needs of preparation of the resolution plans for the group, in accordance with Article 7 of this Law;

2) assessment of the resolvability of the group, in accordance with Article 8 of this Law;

3) decision-making on the actions for the purpose of removing the impediments for resolvability of the group, in accordance with Article 9 of this Law;

4) deciding on the minimum requirement for own funds and eligible liabilities for the resolution group and for the individual members of the group who are not resolution entities in accordance with Article 13 of this Law;

5) deciding on the implementation of the powers in the case of non-compliance with the minimum requirement for own funds and eligible liabilities and deciding on the restriction of the distribution of the operating result, in accordance with Articles 14 and 15 of this Law;

6) exchange of data and information on the fulfillment of the conditions under Article 19 paragraph (1) items 1) and 2) of this Law;

7) exchange of data and information on the application of the resolution tools under Article 24 of this Law, including the write-down and conversion of the relevant capital instruments and eligible liabilities under Chapter IV of this Law;

8) exchange of data and information on the reorganization plan under Article 40 of this Law;

9) consultation on taking measures in accordance with this Law which may have a significant impact on the resolution group;

10) coordination of the communication with the public regarding undertaking of resolution actions for the group;

11) coordination of the use of financial support;

12) discussion on other issues related to resolution of the group.

(6) The exchange of data and information for the needs of the functioning of the resolution college does not constitute non-compliance with the obligations for data confidentiality, in accordance with this Law.

(7) The resolution college shall be established based on an agreement concluded between the National Bank and the other bodies under paragraph (2) of this Article, which shall also regulate the manner of work of the college.

(8) The National Bank shall chair the resolution college, decide which authorities will participate in the sessions, determine the activities of the resolution college, in accordance with this Law and provide timely and complete informing of the participants in the college on the time and place of meetings, the issues to be considered at the meetings, as well as the decisions and conclusions reached at those meetings.

Participation of the National Bank in resolution colleges

Article 69

(1) The National Bank may participate in the work of a resolution college established for a resolution group abroad, of which a bank operating in the Republic of North Macedonia is a member, having regard to the regulations of the country of the competent authority on the manner of establishment and operation of the resolution colleges and following the provisions for confidentiality under Article 65 of this law.

(2) The participation in the work of the resolution college under paragraph (1) of this Article shall not affect the powers of the National Bank prescribed by this Law.

Recognition of another country's resolution proceedings

Article 70

(1) The National Bank may recognize the resolution proceedings of another country in which the competent resolution authority for the parent entity referred to in Article 66 paragraph (3) item 1) of this Law is located, in all cases when the conditions under paragraph (5) of this Article are not met.

(2) If the competent resolution authority under paragraph (1) of this Article decides that the conditions for resolution of the parent entity referred to in Article 66 paragraph (3) item 1) of this Law are met in accordance with the regulations of the other country, the National Bank has the right, where necessary in the public interest, to take resolution actions in relation to the bank or the branch under Article 66 paragraph (3) item 1) of this Law and to exercise the powers prescribed with this law.

(3) In the cases under paragraph (2) of this Article, the National Bank has the right to:

1) exercise the powers prescribed by this Law in relation to the assets of the parent entity referred to in Article 66 paragraph (3) item 1) of this Law, that are located in the Republic of North Macedonia or to which the regulations of the Republic of North Macedonia apply;

2) implement or require the implementation of transfer of shares and other ownership instruments of the bank or the branch in the Republic of North Macedonia under Article 66 paragraph (3) item 1) of this Law;

3) exercise the powers under Articles 54, 55 and 56 of this Law in relation to the bank or the branch in the Republic of North Macedonia under Article 66 paragraph (3) item 1) of this Law;

4) revoke the contractual right to terminate, fulfill or accelerate the contract, if that right arises from a resolution action taken by the competent resolution authority of the other country in relation to the parent entity under Article 66 paragraph (3) item 1) of this Law, provided that the substantive elements of the contract, including the payment and delivery obligations continue to be performed, as well as obligations related with the collateral.

(4) The enforcement of the resolution of the parent entity under Article 66 paragraph (3) item 1) of this Law does not prevent the opening of bankruptcy proceedings or liquidation, in accordance with the law that governs the operation of banks.

(5) The National Bank shall not recognize the resolution proceedings of another country in which the competent resolution authority of the parent entity under Article 66 paragraph (3) item 1) of this Law is located, if it assesses that:

1) the resolution proceedings in the other country would have adverse impact on the financial stability in the Republic of North Macedonia;

2) it is necessary to take separate resolution action towards the bank or the branch under Article 66 paragraph (3) indent 1 of this Law, in order to achieve one or more resolution objectives;

3) the creditors, especially the depositors in the Republic of North Macedonia or payable in the Republic of North Macedonia, would not, within the resolution proceedings in the other country, have the same treatment as the creditors in the other country, with similar legal rights;

4) the recognition and enforcement of the resolution proceedings of the other country would have a material impact on public funds;

5) the results of the recognition and enforcement of the resolution proceedings of the other country would be in collision to the regulations in the Republic of North Macedonia.

Liability for damages Article 71

(1) The National Bank, its employees, the special managers appointed by the National Bank and any person authorized by a decision of the National Bank or in accordance with the provisions of this Law, shall not be held liable for damages in relation to the performance of their duties in accordance with this Law and the relevant bylaws, unless proven that the damage has been caused by gross negligence or intentional breach of their duties.

(2) The persons under paragraph (1) of this Article shall not be held liable for damages even after the termination of their employment in the National Bank or termination of the duty they have performed.

CHAPTER IX RESOLUTION FUND

Establishment of a Resolution Fund Article 72

(1) A Resolution Fund shall be established for ensuring efficient application of the resolution tools and powers. Funds from the Resolution Fund shall be used to achieve the resolution objectives referred to in Article 17 of this Law, in accordance with the resolution principles under Article 18 of this Law.

(2) The Resolution Fund shall be managed by the Deposit Protection Agency in accordance with the provisions of this Law and the law governing the deposit protection.

(3) The Deposit Protection Agency shall keep the assets of the Resolution Fund separately from the other funds at its disposal.

Financing sources of the Resolution Fund

Article 73

(1) Funds for the Resolution Fund shall be provided by:

- 1) annual contributions from banks;
- 2) additional contributions from banks;
- 3) loan agreements and other forms of financing.

Use of funds from the Resolution Fund

Article 74

(1) The National Bank, as a resolution authority, may decide on the use of funds from the Resolution Fund.

(2) The funds from the Resolution Fund may be used to the extent necessary for the application of the resolution tools, for the following purposes:

- 1) to guarantee the assets and liabilities of the bank under resolution, its subsidiaries, the bridge institution or the asset management vehicle;
- 2) to extend loans to the bank under resolution, its subsidiaries, the bridge institution or the asset management vehicle;
- 3) to purchase assets from the bank under resolution;
- 4) to make contributions to a bridge institution or an asset management vehicle;
- 5) to pay compensation in accordance with Article 62 of this Law;
- 6) to make a contribution to the bank under resolution for the amount resulting from the exclusion of the liabilities of certain creditors when applying the bail-in tool in accordance with Article 33 of this law;
- 7) for any combined use of the assets referred to in items 1) to 6) of this paragraph.

(3) When applying the sale of business tool, the National Bank may use the funds from the Resolution Fund for the purposes under paragraph (2) items 1) to 7) of this Article in relation to the purchaser.

(3) Funds from the Resolution Fund shall not be used directly to absorb the losses or for recapitalization of the bank under resolution. If funds from the Resolution Fund are indirectly used to absorb part of the losses of the bank under resolution, the principles for using the funds from the Resolution Fund set in Article 34 of this law shall apply.

Level of funds of the Resolution Fund

Article 75

(1) The funds of the Resolution Fund shall reach at least 1% of the amount of the total covered deposits in the banks in the Republic of North Macedonia (hereinafter: target level).

(2) If after reaching the target level, the funds of the Resolution Fund are diminished, banks shall continue to pay the contributions in accordance with Article 79 of this Law until the target level is reached.

(3) Notwithstanding paragraph (2) of this Article, if the funds of the Resolution Fund are diminished to a level lower than two thirds of the target level, the National Bank shall determine the amount of the contributions that will provide reaching the level under paragraph (1) of this Article for a period of six years.

Annual contributions

Article 76

- (1) Banks shall pay an annual contribution to the Resolution Fund, in the amount determined by the National Bank.
- (2) Each bank's contribution shall be proportionate to the amount of its liabilities (excluding own funds) less the amount of covered deposits, compared to total liabilities (excluding own funds) reduced by the amount of covered deposits of all banks in the Republic of North Macedonia.
- (3) Contributions shall be adjusted to the risk profile of the bank.
- (4) The National Bank Council shall adopt a bylaw, detailing the manner of calculation of the annual contributions, the manner of payment of the contributions and the notification of the payment made.

Additional contributions

Article 77

- (1) In cases when the available funds of the Resolution Fund are insufficient to absorb losses, costs and other expenses through the use of Fund's assets, the Deposit Protection Agency may require from banks to pay additional contributions to the Fund.
- (2) The additional contribution shall be calculated for each bank in accordance with Article 76 of this Law and shall not exceed three times the annual amount of contributions paid by the bank.
- (3) The bank shall pay the additional contribution under paragraph (2) of this Article within 15 days after receiving the payment order from the Deposit Protection Agency, in accordance with paragraph (1) of this Article.
- (4) At the request of the bank, the National Bank may allow the bank to partially or completely prolong its obligation to pay additional contribution to the fund if it considers that such payment would jeopardize its liquidity or solvency. The prolongation may be approved for a maximum of six months, and at the request of the bank submitted before the expiration of that period, the National Bank may extend that period for another six months.
- (5) The National Bank shall notify the bank under paragraph (4) of this Article that it has an obligation to pay the additional contribution even before the expiration of the period laid down in paragraph (4) of this Article, if its payment no longer jeopardizes the solvency or liquidity of the bank.
- (6) The National Bank Council shall adopt a bylaw, detailing the conditions for prolongation of payment of additional contributions under paragraph (4) of this Article.

Loan agreements and other forms of financing

Article 78

- (1) The Deposit Protection Agency may borrow from banks, financial institutions or third parties in the event that the funds from the Resolution Fund raised in accordance with Article 76 of this Law and the additional contributions under Article 77 of this Law are not sufficient or available to absorb losses, costs and other expenses.

Use of funds from the Deposit Insurance Fund in bank resolution procedure

Article 79

(1) In cases when the National Bank takes resolution action allowing the depositors to continue to have access to their deposits, the National Bank may adopt a decision requiring that the Deposit Insurance Fund recovers the following amounts:

- 1) when applying the bail-in tool, the amount of covered deposits that would have been written down to absorb the losses in accordance with Article 35 paragraph (1) item 1) of this Law, had the covered deposits been included within the scope of the bail-in tool and been written down to the same extent as other creditors with same level of priority in accordance with the law governing the operations of banks; or
- 2) when applying other bank resolution tools, the amount of the loss that covered depositors would have suffered, had their loss been proportionate to the loss of other creditors with same level of priority in accordance with the law governing the operations of banks.

(2) In bank resolution, the liability of the Deposit Insurance Fund shall not be greater than the amount of the Fund's losses had a bankruptcy proceedings been conducted in the bank.

(3) If the bail-in tool is applied, the Deposit Insurance Fund shall not recapitalize the bank under resolution or the bridge institution, in accordance with Article 35 paragraph (1) item 2) of this Law.

(4) Before adopting the decision of the National Bank under paragraph (1) of this Article, the National Bank shall obtain an opinion from the Deposit Protection Agency.

(5) The amount to be recovered by the Deposit Insurance Fund in accordance with paragraph (1) of this Article shall be determined by applying the provisions of Article 21 of this Law.

(6) If an independent valuation of difference in treatment under Article 61 of this Law determines that the Deposit Insurance Fund's contribution in the bank resolution was greater than the amount of the net loss it would have incurred had a bankruptcy proceedings been conducted in the bank, the Deposit Insurance Fund is entitled to payment of the difference by the Resolution Fund in accordance with Article 62 of this Law.

(7) The Deposit Protection Agency shall pay the contribution under paragraph (1) of this Article on the account of the bank under resolution in the National Bank.

(8) When the eligible deposits in the bank under resolution are transferred to another legal entity through sale of business or a bridge bank, the depositor has no claim from the Deposit Insurance Fund for the part of the deposit that has not been transferred from the bank under resolution, provided that the amount of the transferred deposits is equal to or higher than the maximum amount subject to reimbursement in accordance with the law governing the deposit insurance.

(9) If the funds from the Deposit Insurance Fund are used in accordance with paragraphs (1) to (7) of this Article and as a consequence are reduced to less than two thirds of the level prescribed by the law regulating deposit protection, the Deposit Protection Agency shall increase the insurance premium to a level that allows reaching the prescribed level within six years.

(10) The participation of the Deposit Insurance Fund in a bank resolution procedure may not exceed 50% of the level of the assets in the Fund prescribed by the law governing deposit insurance, nor more than the amount of losses that the Fund would have had in bankruptcy proceedings.

CHAPTER X

PROCEDURE FOR ADOPTING INDIVIDUAL ADMINISTRATIVE ACTS AND COURT PROTECTION

Procedure for adopting individual administrative acts

Article 80

- (1) The provisions of the law governing the general administrative procedure shall apply in the procedure for adopting decisions on the basis of this Law, unless otherwise stipulated by this Law.
- (2) No appeal is allowed against the decisions of the National Bank adopted on the basis of this Law and they are final in an administrative procedure.

Court protection

Article 81

- (1) An administrative dispute may be initiated against the decisions of the National Bank adopted on the basis of this Law, in accordance with the law regulating administrative disputes, within 30 days from the day of receipt of the act.
- (2) For the affected persons who are notified by a public announcement on the decision for initiating bank resolution, the deadline under paragraph (1) of this Article shall begin from the day of the announcement in accordance with Article 22 paragraph (9) of this Law.
- (3) The lawsuit does not postpone the execution of the decisions adopted on the basis of this law, nor can a temporary measure be adopted in the administrative dispute to postpone the execution of the decision.
- (4) When deciding on the lawsuit, the Administrative Court shall consider the detailed assessment of the financial condition of the bank conducted by the National Bank.
- (5) If in the administrative dispute the court upholds the lawsuit, it shall determine with a verdict the illegality of the disputed decision or decision adopted on the basis of this Law. The rights and obligations acquired by third parties on the basis of the deed remain in force, and the plaintiff's right is limited to compensation for damage caused by the deed.

CHAPTER XI

MISDEMEANOR PROVISIONS

Misdemeanor procedure

Article 82

- (1) For the misdemeanors provided by this Law, a misdemeanor procedure shall be conducted and a misdemeanor sanction shall be pronounced by a competent court.
- (2) For the committed misdemeanors under this Law, the persons authorized by the Governor to conduct resolution activities shall propose to the perpetrator of the misdemeanor a settlement procedure by issuing a misdemeanor payment order, in accordance with the Law on Misdemeanors.
- (3) The National Bank Council shall adopt a bylaw to prescribe the form and the obligatory elements of the misdemeanor payment order.

Misdemeanors by the bank

Article 83

(1) A fine in the amount from 8.000 to 10.000 euros in Denar equivalent shall be imposed for a misdemeanor on a bank if it:

- 1) fails to notify the National Bank on changes that may affect the content or enforceability of the resolution plan (Article 5 paragraph 4);
- 2) fails to provide and submit to the National Bank all information necessary for the preparation, updating and implementation of the resolution plan or does not participate in its development (Article 5 paragraph 5);
- 3) has not established and / or does not regularly update the list of financial contracts in which it is a contracting party or fails to submit the list at the request of the National Bank (Article 5 paragraph 9);
- 4) fails to provide and submit to the National Bank all information necessary for the preparation and development of the resolution plan for a banking group in the Republic of North Macedonia (Article 7 paragraph 4);
- 5) fails to submit, or to submit on time, a proposal of measures for removal of resolvability impediments (Article 9, paragraph 2 or 3);
- 6) does not implement the measures for removal of the impediments to resolvability within the determined deadline (Article 9, paragraph 4);
- 7) fails to submit or to submit on time a plan for implementation of the measures contained in the decision (Article 9 paragraph 7);
- 8) fails to implement within the prescribed deadline the measures for removing the resolvability impediments (Article 9, paragraph 5);
- 9) does not maintain the minimum requirements for own funds and eligible liabilities (Article 10 paragraphs 1 and 2);
- 10) fails to provide the National Bank with access and/or to submit the requested data and information (Article 48 paragraph 1);
- 11) fails to act upon the decision of the governor under Article 51 paragraph (1) of this Law;
- 12) fails to pay the annual contribution to the bank resolution fund in accordance with Article 76 of this Law;
- 13) fails to pay an additional contribution to the Resolution Fund in accordance with Article 77 of this Law.

(2) A fine in the amount of 500 euros in Denar equivalent of the fine set for the bank for the misdemeanors under paragraph (1) of this Article shall be imposed on the responsible person in the bank.

Misdemeanors by other persons

Article 84

(1) A fine in the amount from 200 to 500 euros in Denar equivalent shall be imposed for a misdemeanor on a member of the bank's management board if they:

- 1) fail to inform the National Bank without delay if they consider that the bank is failing or likely to fail (Article 19, paragraph 7);
- 2) did not provide the special managers with access to the entire documentation of the bank or did not provide information and reports on the bank's operations (Article 23 paragraph 12);

(2) A fine in the amount from 200 to 500 euros in Denar equivalent shall be imposed for a misdemeanor on an independent valuer if:

- 1) the valuation is carried out contrary to Article 21 paragraphs (5), (6), (7), (8) and/or (10) of this Law;
- 2) the additional valuation is carried out contrary to Article 21 paragraph (13) of this Law;
- 3) the valuation under Article 61 of this Law is not carried out in accordance with paragraphs (3) and (4) of the same article.

(3) A fine in the amount from 200 to 500 euros in Denar equivalent shall be imposed for misdemeanor on special managers if they:

- 1) have taken actions without prior approval of the National Bank in cases where such approval is required (Article 23 paragraph 9);
- 2) fail to submit reports to the National Bank in accordance with Article 23 paragraph 14 of this law.

(4) A fine in the amount from 200 to 500 euros in Denar equivalent shall be imposed for a misdemeanor on a person with special rights and responsibilities in a bank if they fail to allow the special managers access to the entire documentation of the bank or to provide information and reports on the bank's operations (Article 23 paragraph 12).

(5) A fine in the amount of from 200 to 500 euros in Denar equivalent shall be imposed for a misdemeanor on the person under Article 65 paragraph (2) of this Law if they don't maintain the confidentiality of the information and data received during the performance of activities under this Law, ie disclosed confidential information and data contrary to Article 65 of this Law.

CHAPTER X TRANSITIONAL AND FINAL PROVISIONS

Deadlines for adoption of bylaws Article 85

The bylaws derived from this Law shall be adopted by the National Bank within eighteen months from the entry into force of this Law.

Deadlines for compliance with the requirements for the target level of the Resolution Fund Article 86

(1) The target level of the Fund under Article 75 of this Law should be reached within ten (10) years from the day of the beginning of the application of this Law.

(2) During the period under paragraph (1) of this Article, the contributions to the Fund that are paid in accordance with Article 76 of this Law, shall be evenly distributed, as far as possible, until the prescribed amount of the funds of the Fund is reached. When scheduling contributions, the business cycle phase and the impact that pro-cyclical contributions could have on the financial condition of the banks paying the contributions are taken into account.

(3) As an exception to paragraph (1) of this Article, if a total amount higher than 0.5% of the eligible deposits of all banks in the Republic of North Macedonia has been paid by the Resolution Fund in the period under paragraph (1) of this Article, the targeted level of the Fund under Article 75 of this Law shall be reached within 14 years from the day of the beginning of the application of this Law.

Deadlines for compliance with the requirements for the resolution plans

Article 87

The National Bank shall prepare the first resolution plans in accordance with Articles 5, 6 or 7 of this Law, together with the decisions for the minimum requirement for own funds and eligible liabilities under Article 88 of this Law no later than within 12 months from the day of the beginning of the application of this Law.

Deadlines for compliance with the minimum requirement of own funds and eligible liabilities

Article 88

(1) The National Bank shall adopt the first decisions on the required level of the minimum requirement for own funds and eligible liabilities under Article 10 paragraph (2) of this Law for each bank, no later than within 12 months from the day of the beginning of the application of this Law, specifying the deadline for reaching the required level of minimum requirement for own funds and eligible liabilities, that shall not be later than 31 December 2032.

(2) When determining the deadline for meeting the minimum requirement for own funds and eligible liabilities under this Article, the National Bank takes into account:

- 1) the level of deposits and the level of debt instruments, as sources of bank financing;
- 2) access to the capital market of eligible liabilities and
- 3) the degree to which the bank uses the Common Equity Tier 1 capital to meet the required level of the minimum requirement for own funds and eligible liabilities set out in Article 10 paragraph (2) of this Law.

(3) As an exception to paragraph (2) of this Article, the deadline for reaching the required level of the minimum requirement for own funds and eligible liabilities may be longer, if the National Bank deems it justified, having taken into account the criteria laid down in paragraph (2) of this Article, as well as:

- 1) the financial condition of the bank;
- 2) the probability for compliance by the bank with the requirements under Articles 10 to 13 of this Law within a reasonable timeframe;
- 3) the possibility for the bank to replace the liabilities that do not meet the criteria under Article 11 of this Law, and if assessed that the bank is unable to perform the replacement, an assessment shall be made whether that is a result of restrictions arising from the operation of the bank or of market constraints.

(4) The National Bank shall submit to the bank a plan with annual dynamics for reaching the required level of the minimum requirement for own funds and eligible liabilities under paragraph (1) of this Article, which can be revised on an annual basis. The bank shall respect the plan and the predicted dynamics.

Transitional provisions regarding eligible liabilities

Article 89

(1) The provisions of this Law regarding the eligible liabilities for the purpose of the bail-in tool, the required level of minimum requirement for own funds and eligible liabilities and the write-down and conversion of relevant capital instruments and eligible liabilities, shall apply to all eligible liabilities that will arise after the entry into force of this Law.

Final Provisions
Article 90

This Law shall enter into force on the eighth day from the day of its publication in the Official Gazette of the Republic of North Macedonia, and shall apply after 24 months from the day of entering into force.