



NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA

Pursuant to Article 47 paragraph 1 item 6 of the Law on the National Bank of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 158/10, 123/12, 43/14, 153/15, 6/16 and 83/18) and Article 68 paragraph 1 item 1 of the Banking Law (Official Gazette of the Republic of Macedonia No. 67/07, 90/09, 67/10, 26/13, 15/15, 153/15, 190/16 and 7/19 and Official Gazette of the Republic of North Macedonia No. 101/19), the National Bank of the Republic of North Macedonia Council adopted the following

DECISION

on amending the Decision on the methodology for risk management (Official Gazette of the Republic of North Macedonia No. 314/20)

1. In the Decision on the methodology for risk management (Official Gazette of the Republic of North Macedonia No. 113/19 and 69/20), in item 20 paragraph 3, the words: "liquidity ratios" shall be replaced with the words: "liquidity coverage ratio or internal liquidity ratios".

2. In Annex 9, in item 1 paragraph 1, the words: "the National Bank regulation on liquidity risk management" shall be replaced with the words: "the National Bank regulation on the methodology for liquidity risk management".

Item 3 shall be amended and read as follows:

"The bank shall be required to establish process of identifying the risks that have or may have influence on liquidity, at least on liquid assets, cash inflows and outflows, the maturity structure of assets and liabilities, the sources of funds and their concentration and the possibility for using the funds available to the bank without constraints as collateral to obtain additional sources of funds, in normal operating conditions and emergency".

Item 9 shall be amended and read as follows:

"ILAAP should provide identification and monitoring of the positions in the currencies which are considered material for the bank's liquidity (for example for the positions in the significant currencies, according to the National Bank regulation on the methodology for liquidity risk management), in normal operating conditions and emergency. In its internal acts, the bank should determine the manner of determining the currencies which are considered material for the bank's liquidity, and determine the manner of monitoring the positions in each of those currencies".

In item 10 paragraph 1, the word: "existence" shall be replaced with the word: "occurrence".

In item 12 paragraph 1, the words: "and for the expected maturity" shall be replaced with the words: "the manner of monitoring the collateral available to the bank and which can be used to obtain additional sources of funds,", and the words: "the stability of the sources of funds" shall be followed by the words: "and their renewability".

In item 13 paragraph 1, the words: "the National Bank regulation on liquidity risk management" shall be replaced with the words: "the National Bank regulation on the methodology for liquidity risk management".

In item 16 paragraph 1 indent 1 the wording: "the liquidity ratios" shall be replaced with the words: "the liquidity coverage ratio", while the words: "the National Bank regulation on liquidity risk management" shall be replaced with the words: "the National Bank regulation on the methodology for liquidity risk management".

In item 16 paragraph 1 indent 2 the wording: "the National Bank regulation on liquidity risk management" shall be replaced with the words: "the National Bank regulation on the methodology for liquidity risk management".

In item 18 paragraph 1, the words: "and explain" shall be deleted.

In item 18 paragraph 2, the words: "the liquidity ratios, the ratio" shall be replaced with the words: "the liquidity coverage ratio, the level", while the words: "the day of preparing the ILAAP" shall be replaced with the words: "the beginning of the period to which the ILAAP refers".

In the form "Report on the ILAAP", which is an integral part of Annex 9, in the explanation below Table 5, the words: "liquidity ratio" shall be replaced with the words: "liquidity coverage ratio".

In the form "Report on the ILAAP", which is an integral part of Annex 9, Table 6 and the explanation below the table shall be amended and read as follows:

"6. Comparison of the internal liquidity and the current liquidity

(Date)*	Current liquidity**	Internal liquidity***
Part 1. Liquidity coverage ratio		
Part 2. Internal liquidity indicators****		
...		
Part 3. Another manner of conveying the internal liquidity*****		

* The bank shall state the date to which the data in the table refer (for example, the end of the year that preceded the year to which the Report on the ILAAP refers).

** Parts 1 and 2 of the table shall be filled-in, whereby in the second part, the bank shall state all the liquidity indicators it has prescribed, according to the National Bank regulation on the methodology for liquidity risk management. The third part shall be filled-in only if the bank uses another manner of conveying the internal liquidity.

*** The bank shall enter the estimation for the current and future needs for liquid assets and stable sources of funds. Only the part of the table (1, 2 or 3) that fits the manner in which the bank conveys the internal liquidity shall be filled-in.

**** The bank shall state all indicators it uses for the purposes of conveying and determining the internal liquidity (new lines shall be added, if needed).

***** The bank shall explain the manner of conveying the internal liquidity.”.

In the form “Report on the ILAAP”, which is an integral part of Annex 9, Table 8 shall be amended and read as follows:

“8. ILAAP as part of the bank's risk management system

Planning and monitoring the cash inflows and outflows (the criteria for determining the current and the future (expected) cash inflows and outflows, as well as the time that would be necessary to turn a particular asset into cash inflow shall be stated, description of the criteria and the instruments for measuring and monitoring the daily liquidity needs shall be provided)
Establishment and maintenance of an adequate maturity structure (the criteria for the establishment and maintenance of an adequate maturity structure of the positions in terms of their compliance according to the residual maturity, as well as the assumptions for determining the expected residual maturity, the time series used to determine the expected maturity of cash inflows and outflows, the date of the last revision of the assumptions and the reason for the revision, the manner of classifying the individual inflows and outflows for the purposes of determining the expected residual maturity shall be stated)
Monitoring the sources of funds and their concentration (description of the most important sources of funds, by depositor, types of instruments, i.e. products, market, country, currency and the like, criteria for determining the level of stability of the individual sources of funds, manner of monitoring the diversification of the sources of funds and control of their concentration, criteria for monitoring the price of the sources of funds and their maturity, assessment of the possibility for renewal of the sources of funds, assessment of the possibility for transfer of liquid assets among members of the group, if the bank belongs to a group in the country or abroad)
Collateral that can be used for liquidity purposes (the assets/collateral which the bank has at its disposal which can be used as collateral to obtain additional sources of funds shall be stated, assessment of the possibility/risk of using these sources, in terms of the time period for their initiation or any other event that can limit their use shall be given)
Liquidity Contingency Plan (the Liquidity Contingency Plan shall be submitted or the changes that the bank has made to the Plan submitted in the previous year shall be stated)
Organizational structure (bodies, organizational units and persons involved in the development and the implementation of ILAAP, along with their responsibilities and lines of reporting concerning ILAAP shall be stated)
Reporting system (list of reports that are prepared for the ILAAP purposes, bodies/persons in the bank to which those reports are submitted and the frequency of the preparation and submission of the reports)

Internal and external audit

(description of the latest assessment of ILAAP by the Internal Audit Department: when it is carried out, the scope and the conclusions and findings)

(description of the latest assessment of ILAAP by the external auditor: when it is carried out, the scope and the conclusions and findings)

(measures that have been taken as a result of the findings of internal and/or external audit and who is responsible for taking and monitoring the measures)

The bank shall answer in details all questions encompassed in the table.”.

3. This Decision shall enter into force on the date of publication in the Official Gazette of the Republic of North Macedonia, and shall apply from 1 January 2021.

D. No. 02-15/XVIII-1/2020
28 December 2020
Skopje

Anita Angelovska Bezhoska
Governor and Chairperson
of the Council of the National Bank
of the Republic of North Macedonia