



NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA

Pursuant to Article 48-a paragraph 1 item 1 of the Law on the National Bank of the Republic of North Macedonia (Official Gazette of the Republic of Macedonia No. 158/10, 123/12, 43/14, 153/15, 6/16 and 83/18 and Official Gazette of the Republic of North Macedonia No. 110/21, 74/24) and item 21 paragraph 3 of the Decision on CB bills (Official Gazette of the Republic of North Macedonia No. 245/24), the Executive Board of the National Bank of the Republic of North Macedonia adopted these

I N S T R U C T I O N S **on CB bill secondary market transaction settlement**

I. GENERAL PROVISIONS

1. These Instructions lay down a CB bill secondary market transaction settlement (hereinafter: settlement).

II. SETTLEMENT PRINCIPLES, PARTICIPANTS AND INSTRUCTIONS

2. Settlement principle shall be Delivery vs. Payment.

By way of derogation from paragraph 1 of this item, when the National Bank of the Republic of North Macedonia (hereinafter: the National Bank) purchases CB bills on a temporary basis for providing euro liquidity to banks under the repo line approved to the National Bank by the European Central Bank, as well as when managing repo transaction exposure, Free of Payment (FOP) settlement principle shall apply.

3. Settlement participants shall include the National Bank and banks, branches of foreign banks and savings houses eligible to participate in CB bill auctions.

Participants shall submit settlement instructions for outright and repo transactions in CB bills as a purchaser, i.e. seller when settling a transaction on own behalf and for own account or as a purchaser's bank, i.e. seller's bank when settling transactions on own behalf and for a third party account.

In repo transactions, the purchaser who is a party to a general repo agreement or the purchaser's bank shall submit settlement instructions on the purchase date as a purchaser of CB bills, and on the repurchase date as a seller of CB bills. The seller who is a party to the general repo agreement or the seller's bank shall submit settlement instructions on the purchase date as a seller of CB bills, and on the repurchase date as a purchaser of CB bills.

4. Settlement systems:

- Macedonian Interbank Payment System (hereinafter: MIPS) which, as a payment system, ensures transfer of funds between participants and seamless flow of messages for transfer of CB bill ownership;

- Matching system - ensures matching of messages received through MIPS for transfer of CB bill ownership;
- National Bank's CB bill Register - provides transfer of CB bill ownership.

5. Settlement shall be made no later than 2 (two) business days from the transaction day. CB bill transaction settlement shall not be allowed on the CB bill maturity date.

6. Participants shall submit settlement instructions:

- in the form of standard electronically signed messages for ownership transfer, i.e. for transfer of funds in line with the Standard for the purpose and format of messages in the Matching System and the Standard for the purpose and format of MIPS messages, which is an integral part of the Instructions for implementing the MIPS Operating Rules;
- from the moment when MIPS is available to the participants for the delivery of funds transfer messages until the moment when MIPS stops receiving transfer orders related to approval of overnight credit in denars, in accordance with the MIPS time schedule.

When purchasing CB bills, the purchaser or the purchaser's bank sends a message for transfer of funds from the purchaser's settlement account or from the settlement account of the purchaser's bank to the seller's settlement account or to the settlement account of the seller's bank. The message for funds transfer shall contain a DVP field stating instructions for CB bills ownership transfer. In Free of Payment (FOP), the purchaser or the purchaser's bank shall send message for transfer of CB bill ownership instead of message for funds transfer.

When selling CB bills, the seller or the seller's bank shall send message for transfer of CB bill ownership to the matching system.

The participants may withdraw the messages for funds transfer and the messages for transfer of CB bill ownership before they are matched.

7. In Delivery vs. Payment, the matching system shall control and compare the elements of the message for funds transfer (field for DVP code) and the message for transfer of CB bill ownership, and shall report on any error.

In Free of Payment (FOP), the matching system shall control and compare the elements of the messages for CB bill ownership transfer, and shall report on any error.

The elements of the messages shall be controlled and compared as defined in the Standard for the purpose and format of messages in the Matching System.

8. If the messages referred to in item 6 paragraphs 2 and 3 of these Instructions fail to be matched until the expiration of the period set forth in item 6 paragraph 1 indent 2 of these Instructions, the messages for transfer of CB bill ownership shall be deemed invalid, and the matching system shall by default pay the funds back to the purchaser or the purchaser's bank.

In instances of errors referred to in item 7 of these Instructions and invalid messages referred to in paragraph 1 of this item, it shall be considered that the settlement is not made and has no consequences for the National Bank.

9. If the message for funds transfer and the message for CB bill ownership transfer match, the National Bank shall check the balance of the seller's CB bills in the register. If the seller's balance of CB bills is sufficient, the National Bank shall simultaneously transfer the funds and the CB bill ownership.

If the seller's balance of CB bills is not sufficient, the settlement shall not be made and shall not have consequences for the National Bank.

10. The CB bill purchaser or purchaser's bank and the CB bill seller or seller's bank shall be notified about the outcome of the settlement through the matching system.

III. CLOSING PROVISIONS

11. These Instructions shall enter into force on the eighth day from the date of its publication in the Official Gazette of the Republic of North Macedonia.

No. 02-5650/4
19 February 2025
Skopje

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and Chairperson
of the Executive Board of the National Bank
of the Republic of North Macedonia