



NATIONAL BANK OF THE REPUBLIC OF 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 and 6/16) and Article 68 paragraph 1 item 7 of the Banking Law (Official Gazette of the Republic of Macedonia No. 67/07, 90/09, 67/10, 26/13, 15/15, 153/15 and 190/16), the National Bank of the Republic of Macedonia Council adopted the following

DECISION on the Methodology for Managing Leverage Risk (Official Gazette of the Republic of Macedonia No. 26/17)

I. GENERAL PROVISIONS

1. This Decision lays down the methodology for managing leverage risk, which sets forth the manner of determining and monitoring the leverage ratio.
2. For the purposes of this Decision, the leverage ratio shall represent the ratio between:
 - the capital value, as a measure of the bank's own funds, as determined in Section II of this Decision and
 - the exposure value, as a measure of the total on-balance sheet and off-balance sheet assets of the bank, as determined in Section III of this Decision.
3. Terminology not defined in this Decision shall have the meaning defined in the Banking Law and the Decision on the methodology for determining capital adequacy (hereinafter: the methodology for capital adequacy).

II. CAPITAL VALUE

4. The capital value shall be equal to the amount of the Tier 1 capital determined according to the methodology for capital adequacy.

III. EXPOSURE VALUE

5. The exposure value shall be determined as a sum of:
 - the value of the on-balance sheet positions included in the determination of credit risk weighted assets, according to the methodology for capital adequacy, without being weighted with the respective risk weights;
 - the exposure based on financial derivatives, determined according to item 6 of this Decision;
 - the exposure based on a general agreement concluded with counterparty covering repo transactions for sale/purchase of securities, transactions for lending securities, transactions for borrowing securities, margin lending transactions or transactions with long settlement deadline, determined according to item 7 of this Decision;

- the value of other off-balance sheet positions, determined according to item 8 of this Decision;

When determining the exposure value referred to in paragraph 1 of this item, the bank shall apply the following rules:

- claims which are deductions from the bank's Tier I capital shall not be included, according to the methodology for capital adequacy;
- claims shall be presented in a net amount, as a difference between their accounting value and the respective impairment, i.e. special reserve, premium or discount and the effects of the change in fair value (without taking into account the accumulated depreciation);
- the amount of claims shall not be reduced by the collateral value, irrespective of its form; and
- netting of loans with deposits shall not be allowed.

6. The bank shall determine the amount of the exposure based on financial derivatives by applying the market value method, according to the methodology for capital adequacy.

By exception to paragraph 1 of this item, the bank may use the original exposure method for determining the amount of the exposure for agreements referring to interest rates, foreign exchange rate or gold, only if for these exposures it uses this method for determining the capital requirements for counterparty risk, according to the methodology for capital adequacy.

7. The bank may net the positions originating from a general agreement concluded with counterparty covering repo transactions for sale/purchase of securities, transactions for lending securities, transactions for borrowing securities, margin lending transactions or transactions with long settlement deadline, only in the case of securities which meet the conditions of financial collateral, according to the methodology for capital adequacy.

8. Other off-balance sheet positions shall include off-balance sheet claims included in the determination of credit risk weighted assets, according to the methodology for capital adequacy, except for claims included in items 6 и 7 of this Decision.

The value of the positions referred to in paragraph 1 of this item shall be determined by applying conversion factors, determined in the methodology for capital adequacy.

By exception to paragraph 2 of this item, a conversion factor of 10% shall apply to low-risk off-balance sheet positions.

IV. REPORTING AND PUBLISHING DATA ON THE LEVERAGE RATIO

9. The bank shall calculate the leverage ratio referred to in item 2 of this Decision on a semiannual basis, as an average of the leverage ratios determined at the end of each month of the half-year.

The bank shall publish the leverage ratio referred to in paragraph 1 of this item on its website, together with data on:

- the value and structure of the capital referred to in Section II of this Decision;
- the value and structure of the exposure referred to in Section III of this Decision;
- the amount of the total on-balance sheet and off-balance sheet claims of the bank, according to the latest financial statements.

10. The bank shall be required to inform the National Bank of the Republic of Macedonia (hereinafter: the National Bank) of the amount of the leverage ratio by the accounting value, for the first half-year as of 30 June and for the second half-year as of 31 December.

The submission date of the report on the leverage ratio as of 30 June shall be fifteen working days after the expiration of the reporting period.

The submission date of the report on the leverage ratio as of 31 December shall be five working days after the expiration of the submission date of the non-audited annual financial statement.

Notwithstanding paragraph 1 of this item, the bank subject to consolidated supervision shall submit the leverage ratio reports on consolidated basis according to the accounting value for the first half-year as of 30 June and for the second half-year as of 31 December, within 30 days after the expiration of the deadlines referred to in paragraphs 2 and 3 of this item specified for submitting the leverage ratio reports on individual basis.

11. Upon special request of the National Bank, the bank shall compile a report on the leverage ratio as of other dates and within deadlines different from those indicated in item 10 of this Decision.

V. TRANSITIONAL AND CLOSING PROVISIONS

12. Instructions adopted by the Governor of the National Bank shall prescribe the manner of implementation of this Decision with respect to the form of the report submitted to the National Bank and the type of data that the bank should publish on its website.

13. Savings houses shall be obliged to apply the provisions of this Decision, having regard to the provisions of the Banking Law and regulations adopted pursuant to this Law governing the operations of savings houses in the Republic of Macedonia.

14. This Decision shall enter into force on the eighth day from the date of its publication in the Official Gazette of the Republic of Macedonia, and shall apply from 1 July 2017.

D. No. 02-15/II-3/2017
27 February 2017
Skopje

Dimitar Bogov
Governor and Chairman
of the Council of the National Bank
of the Republic of Macedonia