



NATIONAL BANK OF THE REPUBLIC OF MACEDONIA

Pursuant to Article 48 paragraph 1 item 3 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 item 12 of the Decision on the methodology for determining systemically important banks (Official Gazette of the Republic of Macedonia No. 26/17), the Governor of the National Bank of the Republic of Macedonia adopted the following

INSTRUCTIONS

for implementing the Decision on the methodology for determining systemically important banks

(Official Gazette of the Republic of Macedonia No. 34/17)

I. GENERAL PROVISIONS

1. These instructions shall specify the implementation of the Decision on the methodology for determining systemically important banks (hereinafter: Decision), i.e:

- the method for determining the aggregate assessment of each bank based on the weights of criteria importance and weights of indicators importance;
- the method of determining the intervals and size of intervals for each subcategory of systemic importance;
- reporting content of systemically important banks.

The terms determined in the Decision shall be adequately applied in these Instructions.

II. AGGREGATE ASSESSMENT FOR EACH BANK

2. Annex no. 1 of these Instructions shall list the weights of criteria importance of the systemic importance, quantitative indicators included in the four criteria of systemic importance, method of their calculation, data source based on which these indicators are calculated, as well as the weights of importance for each indicator in the criteria to which it belongs and in the overall calculation. Annex no. 1 is an integral part of these Instructions.

3. The aggregate assessment for each bank shall be determined in the following manner:

- the value of each indicator for each bank shall be obtained as a ratio of the individual position of the bank and the same position for all the banks and shall be multiplied with 10.000 (expressed in basis points);
- the average value of all indicators for each bank included in a certain criteria, determined pursuant to indent 1 of this paragraph, shall give the value of each criteria of systemic importance;
- the average value of all criteria, determined pursuant to indent 2 of this paragraph, shall give the summary assessment for each bank.

The sum of the values of all the banks within the individual criteria for systemic importance and within the aggregate assessment shall amount to 10.000 basis points.

4. All the banks whose aggregate assessment pursuant to the calculation with balance on 31 December is equal or higher than the intersection point of 350 basis points, shall represent systemically important banks.

5. The National Bank of the Republic of Macedonia (hereinafter: National Bank) shall publish all the systemically important banks in its web page within the legally prescribed deadlines.

III. INTERVAL FOR EACH SUBCATEGORY OF SYSTEMIC IMPORTANCE

6. Each systemically important bank is classified in one of five subcategories of systemic importance.

Subcategories of systemic importance shall be determined in the following manner:

- the minimum value of the first subcategory of systemic importance is equal to 350 basis points;
- the maximum value of the fifth subcategory represents the sum of the aggregate assessment of the bank with the highest systemic importance on 31 December 2016 (2.471 basis points) and one standard deviation of the aggregate assessments of the identified systemically important banks (708 basis points).
- the intervals for each subcategory of systemic importance shall be determined so that the difference between the maximum value from indent 2 of this paragraph (3.178 basis points) and the minimum value from indent 1 of this paragraph (350 basis points) shall be divided with 4 and this value (707 basis points) shall be added to the lower limit of each subcategory of systemic importance.

These calculations shall refer to the data of the balance from 31 December 2016, whereby the levels of the subcategories of systemic importance shall be fixed with the calculation of the balance on 31 December 2018 at the latest.

For each subcategory of systemic importance, a different level of capital buffer for systemically important banks is envisaged, from 1% up to 3.5%. Annex no. 2 shall list the intervals for each subcategory of systemic importance and the level of the capital buffer of systemically important banks. Annex no. 2 is an integral part of this Decision.

IV. THE REPORTING OF SYSTEMICALLY IMPORTANT BANK

7. The reporting which, pursuant to the law, the National Bank shall send to the bank which has been identified as systemically important bank, contains the capital buffer ratio for systemically important banks which the bank shall maintain, along with the explanation for the method in which the capital buffer ratio is determined for that systemically important bank.

V. CLOSING PROVISIONS

8. These Instructions shall enter into force on the eighth day from the day of their publication in the Official Gazette of the Republic of Macedonia.

I No. 8291
15 March 2017
Skopje

Governor
Dimitar Bogov

Annex 1

Systemic importance criteria and quantitative indicators (weights of importance and explanation of the method of calculating the indicators)

Systemic importance criteria (weigh of importance)	Indicator (calculated for each bank, as a ratio of individual position of each bank and the same position on the level of the banking system)	Description of individual positions (balance as of 31 December, unless otherwise indicated)	Data sources (B*, NBRM*** or/and E***)	Weigh of indicator within the criteria	Weigh of indicator in the total calculation
Size 25%	On-sheet and off-sheet activities	Net amount of the total on-balance and off-balance exposure expressed in the APKR forms from the regulation of the National Bank for determining the capital adequacy.	B	100%	25%
Substitutability 25%	Credit exposure towards non-financial entities	Credit exposure towards non-financial companies and households, determined pursuant to the regulation of the National Bank for credit risk management and credit registry.	B	25%	6.25%
	Deposits of non-financial entities	Assets of current (transaction) accounts, sight deposits, short-term and long-term deposits (including restricted deposits) of non-financial companies and households.	B, NBRM	25%	6.25%
	Credit exposure towards 20 largest debtor non-financial entities on the banking system level	Credit exposure towards 20 largest debtor non-financial entities on the banking system level (not taking into consideration related entities), determined pursuant to the regulation of the National Bank on credit risk management and credit registry.	B	25%	6.25%
	Interbank payment operations	Value of payment transactions in the interbank payment operations, represented as a monthly average of the value of payment transactions during the year.	B	25%	6.25%
Interconnectedness 25%	Interbank market operations	Amount of granted and received loans, deposits and etc. on the interbank market in the country, including repo transactions during the year.	B, NBRM	33.3%	8.33%
	Foreign exchange market operations	Operations of the following segments in the foreign exchange market: between banks, between banks and		33.3%	8.33%

		the National Bank and between banks and other entities (cashless transactions with legal entities and physical persons, residents and non-residents) during the year.	B, NBRM		
	Payment operations through payment systems	Value of payment transactions through payment systems MIPS, KIBS and CaSys. The value of payment transactions represents the monthly average of the value of the payment transactions for 12 months of the year.	NBRM, E	33.3%	8.33%
Complexity 25%	Placements in and liabilities towards financial institutions	Assets of current accounts in foreign banks, deposits invested in foreign banks, loans granted to foreign banks and other foreign financial institutions, investments in debt securities and equities issued from a foreign bank and other foreign financial institutions, as well as liabilities listed in current accounts of foreign banks, deposits of foreign financial institutions, liabilities based on loans towards foreign financial institutions and liabilities based on hybrid instruments and subordinated instruments towards foreign banks and other foreign financial institutions.	B, NBRM	50%	12.5%
	International payment operations	Value of all payments towards and fees of non-residents, during the year.	B, NBRM	50%	12.5%

* Submitted by banks

** NBRM's calculations, based on data submitted by banks

*** Other institutions

Annex No. 2**Capital buffer for each subcategory of systemic importance**

Subcategory of systemic importance	Interval	Capital buffer for systemically important banks
5	over 3,178	3.5%
4	over 2,471 up to 3,178	2.5%
3	over 1,764 2,471	2.0%
2	over 1,057 up to 1,764	1.5%
1	350 up to 1,057;	1.0%