

National Bank of the Republic of Macedonia
Financial Stability and Banking Regulation Department



INSTRUCTIONS
for enforcing the Decision on the Methodology for Managing Leverage Risk

(Official Gazette of the Republic of Macedonia No. 64/17)

May 2017

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 Managing Leverage Risk (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 enforcing the Decision on the Methodology for Managing Leverage Risk

I. GENERAL PROVISIONS

1. These Instructions set forth the method of enforcing the Decision on the Methodology for Managing Leverage Risk (hereinafter: Decision) with respect to the form of the Report on the leverage ratio submitted to the National Bank of the Republic of Macedonia (hereinafter: the National Bank) and the type of data that the bank should publish on its website.

The terms set out in the Decision shall be respectively applied in these Instructions.

II. REPORT ON THE LEVERAGE RATIO

2. To calculate the leverage ratio, the bank shall fill in the Report on the leverage ratio (SZ Form) and submit to the National Bank, according to the deadlines determined in the Decision.

The report referred to in paragraph 1 of this item shall be an integral part of these Instructions.

3. Columns 3, 4, 5, 6, 7 and 8 of the SZ Form shall state the positions of the respective rows of the Form at the end of each month of the reporting half-year.

4. Row 1 - "on-balance sheet positions" shall state the sum of rows 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7, 1.8, 1.9, 1.10, 1.11 and 1.12, which shall be filled in by applying the following rules:

4.1. Rows 1.1 - "claims on central governments and central banks", 1.2 - "claims on local and regional government", 1.3 - "claims on public sector entities", 1.4 - "claims on multilateral development banks and international organizations", 1.5 - "claims on banks", 1.6 - "claims on other trade companies", 1.7 - "retail portfolio", 1.8 - "claims secured by residential property", 1.9 - "claims secured by commercial real estate", 1.10 - "stakes in investment funds" and 1.11 - "other positions" shall state the amounts of row 1 of column 5 of the respective reports on credit risk weighted assets (APKR Forms) of the Instructions for enforcing the Decision on the methodology for determining the capital adequacy.

4.2. Row 1.12 - "(-) deductions from the Tier 1 capital" shall state the balance sheet claims with a risk weight of 0% which are deductions from the Common Equity Tier 1 capital and Additional Tier 1 capital, according to the Decision on the methodology for determining the capital adequacy. The amount of row 1.12 shall be shown with a negative sign.

5. Row 2 - "financial derivatives" shall state the sum of rows 2.1 and 2.2, which shall be filled in by applying the following rules:

5.1. Row 2.1 - "exposure based on financial derivatives by applying the market value method" shall state the respective amount of the exposure to counterparty risk by applying the market value method, referring to financial derivatives, of the Report on the capital requirement for the counterparty risk (RDDS Form) of the Instructions for enforcing the Decision on the methodology for determining the capital adequacy (Table 3, row 6, column 7).

5.2. Row 2.2 - "exposure based on financial derivatives by applying the original exposure method" shall state the respective amount of the exposure to counterparty risk by applying the original exposure method, referring to financial derivatives, of the Report on the capital requirement for the counterparty risk (RDDS Form) of the Instructions for enforcing the Decision on the methodology for determining the capital adequacy (Table 2, row 3, column 5).

6. Row 3 - "transactions in securities" shall state 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 the Decision.

7. Row 4 - "off-balance sheet positions" shall state the sum of rows 4.1, 4.2, 4.3 and 4.4, which shall be filled in by applying the following rules:

7.1. Row 4.1 - "off-balance sheet positions with conversion factor of 10%" shall state the amount of row 2.1 of column 5 of the respective reports on credit risk weighted assets (APKR Forms) of the Instructions for enforcing the Decision on the methodology for determining the capital adequacy, multiplied by conversion factor of 10%.

7.2. Rows 4.2 - "off-balance sheet positions with conversion factor of 20%", 4.3 - "off-balance sheet positions with conversion factor of 50%" and 4.4. - "off-balance sheet positions with conversion factor of 100%" shall state the amounts of rows 2.2, 2.3 and 2.4 of column 7 of the respective reports on credit risk weighted assets (APKR Forms) of the Instructions for enforcing the Decision on the methodology for determining the capital adequacy.

8. Row 5 - "exposure value" shall state the sum of rows 1, 2, 3 and 4.

9. Row 6 - "capital value" shall state the amount of the Tier 1 capital of row 2 of the Report on the own funds (SS Form) of the Instructions for enforcing the Decision on the methodology for determining the capital adequacy, from the end of the last quarter, only if no significant change was made in the amount of the Tier 1 capital in the period between two quarters (e.g. new issue of capital instruments of the Common Equity Tier 1 capital or Additional Tier 1 capital, realized loss in current operations, etc.), which is not included in the calculation of the Tier 1 capital from the last quarter.

10. Row 7 - "leverage ratio" shall state the leverage ratio at the end of each month of the half-year, determined as a ratio between the amount of the corresponding column of row 6 and the amount of the corresponding column of row 5.

11. Row 8 - "average leverage ratio" shall state the average leverage ratio for the reporting half-year, calculated as an average of the leverage ratios at the end of each month of row 7.

III. PUBLICATION OF DATA ON THE WEBSITE OF THE BANK

12. The bank shall publish data on the leverage level on its website on a semiannual basis. For that purpose the bank shall publish the following data:

- the amount of the Common Equity Tier 1 capital and Additional Tier 1 capital, as well as the bank's Tier I capital;
- the amount of the total on-balance sheet and the total off-balance sheet exposure which is used for calculating the leverage ratio;
- the amount of the leverage ratio for the previous half-year and
- the amount of the total on-balance sheet and total off-balance sheet claims of the bank, according to the latest financial statements, with an explanation for the differences relative to the amount presented in indent 2 of this item.

Data referred to in paragraph 1 of this item for the first six months of the year should be published on the bank's website by 31 July in the current year.

Data referred to in paragraph 1 of this item for the second half-year of the year should be published on the bank's website by 15 May in the current year for the previous calendar year.

13. Savings houses shall be obliged to apply the provisions of these Instructions, 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. These Instructions shall enter into force on the eighth day after the date of publication in the Official Gazette of the Republic of Macedonia, and shall apply from 1 July 2017.

**I No. 18259/2
29 May 2017
Skopje**

**Dimitar Bogov
Governor**