

"Strengthening the institutional capacity of the National Bank of the Republic of North Macedonia in the process of its accession to the ESCB"

❖ What happened between 15th of June 2020 and 14th of September 2020?

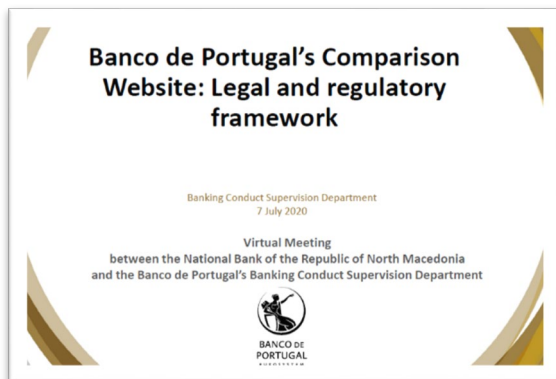
The first fifteen days of the fourth project quarter were part of the suspension period, as the project was suspended from 1 April to 30 June due to the COVID-19 pandemic. Since then, five expert missions have been successfully organized and carried out remotely. The completed activities include the fourth meeting of the Project Steering Committee, which was also held in virtual mode in early July.



The Project Steering Committee Meeting under the "new-normal" circumstances – Online Videoconference.

Component 1. PAYMENT SERVICES AND SYSTEMS

In the fourth quarter of the project, **two virtual missions** were conducted. Within the second activity of this component **"Further alignment of payment services policy framework in the NBRNM with EU Directives and Regulations in the field of payment services"** experts from the Bank of Portugal and the National Bank of Romania held two separate missions. In the first mission "Presentation on the most representative payment services" the topics discussed were essentially



related to the competences and activities of conduct supervision of Banco de Portugal, the legal and regulatory framework applicable to payment accounts and payment services and the fees comparator, the applicable legal and regulatory framework in particular, as well as its implementation and management.

During the second mission, the Romanian expert gave comprehensive and detailed review of following topics: main responsibilities of Payments Oversight Division; experience in communication activities related to payment services; responsibilities of central bank regarding Payment Services

Directive 2 (PSD2); PSD2 – general framework, RTS and guidelines; Romanian SEPA experience – requirements for credit transfer and direct debit in euro (Regulation (EU) No 260/2012); Romanian experience in communication with the EU bodies during the accession process; regulation on interchange fees for card-based payment transactions – RTS on payment card schemes and processing entities under IFR and NBR's activity on PSP compliance with legal requirements in the field of payments, and provided Guidelines for communication activities with the EU bodies during the accession process in connection with this topic.

Component 2. BANKING REGULATION AND SUPERVISION

Under the second activity **"Development of internal guidelines for ILAAP assessment and its integration in the SREP"**, **one virtual mission**, on Liquidity Coverage Ratio Regulatory Issues was conducted by expert from the Croatian National Bank in mid-July.

Within the two days' video conference, the expert gave detailed presentation on the implementation of two EU Delegated Regulations 2015/61 and 2018/1620 with regard to liquidity coverage requirement for credit institutions (hereinafter: DA on LCR), highlighting national options and discretions from the DA on LCR. During the second day, the Croatian National Bank expert also gave short presentation on additional liquidity monitoring metrics that are presently in force in the EU. Prior to the conference call, the representatives of the NBRNM had sent their questions, which were additionally discussed during the meeting.

Component 3. FINANCIAL ACCOUNTS STATISTICS

In this quarter, **one virtual mission** has been performed in the beginning of July. It was held by the experts from the Croatian National Bank (CNB) and the National Bank of Romania (NBR).

During this five days' intensive work, using video conferencing, email exchange and other ways of distance cooperation, experts from the CNB and NBR together with Beneficiary Country counterparts continued their work on production of pilot version of North Macedonia's Financial Accounts (both stocks and flows for one year, quarterly/annual data). They analyzed the requirements and recommendations from the previous mission, the data prepared and delivered by the colleagues from the NBRNM's Statistics Department and they agreed on further steps towards finalizing results for the activity **“Support to further alignment of NBRNM's Financial Accounts Statistics with ESCB/ECB standards”**. In this third mission under this activity, experts from the national banks specifically analyzed the data sources, current compilation system and working procedures for the compilation of financial accounts data (stocks) for the sectors **general government, non-financial corporations and the households sector**.

IMPORTANT NOTE:

The well-being and health of all the participants in the project are of the utmost importance. Furthermore, due to the pandemic situation, the European Commission prolonged the ability to perform the missions virtually until 31st of December 2020.

Component 4. KNOW – HOW IN POLICY ANALYSIS

In the fourth project quarter, **one virtual mission** on model development was conducted by the expert from the National Bank of Romania in August, as a **follow-up mission to enhance research and econometric modelling skills**.

The Romanian expert, who is also the MS Component Leader, worked jointly with colleagues from NBRNM's Monetary Policy and Research Department on the development of the economic model through following steps:

- Review of the model equations
- Introducing financial frictions in the model - micro setup
- Integration of the financial friction model in the larger model
- Parameter calibration for the Macedonian economy
- Derivation of the steady state of the model
- Initial adaptation of the model for a fixed exchange rate regime
- Investigating the impulse response functions report

At the end of the mission, the updated materials (Dynare and Matlab codes and handouts) were shared with the NBRNM colleagues, so that they could conduct independent work. Also, an agreement was reached during the next mission in the second half of September to conduct training on the Bayesian estimation and to start the Bayesian estimation process for the particular model.

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