

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

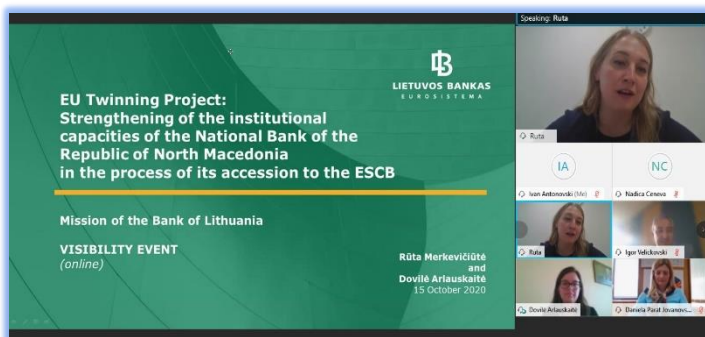
❖ What happened between 15th of September 2020 and 14th of December 2020?

In project quarter 5, from 15 September 2020 to 14 December 2020 (project months 13-15), nine expert missions were successfully organized and conducted virtually. Completed activities include the fifth Project Steering Committee meeting that was also held virtually, on 1 October 2020.

Component 1. PAYMENT SERVICES AND SYSTEMS

In the fifth quarter of the project, three virtual missions were conducted.

Within the second activity of this component "Further alignment with payment services policy framework in the NBRNM with EU Directives and Regulations in the field of payment services" experts from the Bank of Lithuania held a mission on "Financial innovation and consumer protection" where they conducted Gap-analysis of the compliance of existing secondary legislation/by-laws in North Macedonia to the EU acquis and presented the experience of the institution in the fields of innovation, consumer protection, crowdfunding, p2p lending, crypto assets, supervisory process regarding the new payment service providers and open banking implementation.



Lithuanian colleagues presenting FINTECH trends at video-conference open for public with more than 60 participants outside the NBRNM

During the second mission within the activity "Strengthening of the institutional capacity in the area of anti-money laundering and combating the financing of terrorism (AML/CFT)", experts from the National Bank of Slovakia conducted a virtual mission on the "Implementation of

best EU/ESCB practices with regard to AML/CFT-operational role of central bank".

During the third mission held in Component 1, under the activity "Capacity enhancement in business and IT issues related to Real-Time Gross Settlement Systems (RTGS), particularly TARGET2 and TIPS, and implemented ISO20022 in payment systems in Europe", the main topic of the discussion was related to TARGET2 and TIPS services as well as adoption of ISO20022 and its impact on the NBRNM's RTGS system. This mission was performed by experts from the National Bank of Belgium, together with the member state leader of this component, from Bundesbank.

Component 2. BANKING REGULATION AND SUPERVISION

Under the third activity within Component 2, "Development of conditions for improved collection of claims, improved NPL management and resolution and improved overall risk management in banks", two virtual missions were conducted by an expert from the Croatian National Bank (CNB).

During the first mission, data on the current position of the level and structure of non-performing loans (NPLs) in the banking system of the Republic of North Macedonia were analyzed and discussed, documentation on the legal framework needed to address NPLs was also collected and studied, some gaps and inconsistencies with EU regulations were identified. The development of regulations in Croatia related to NPLs was presented and discussed.

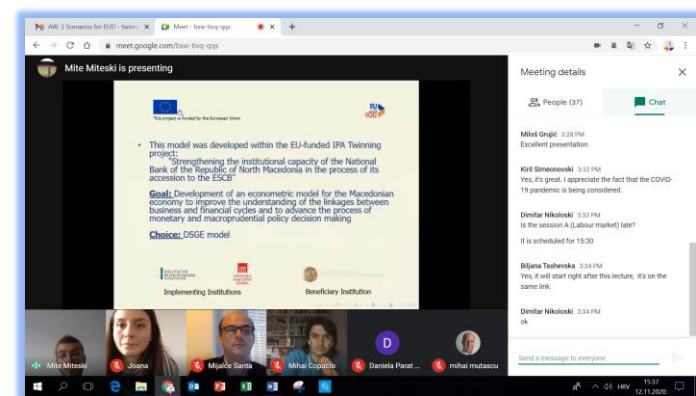
In the second follow up mission, further presentations of the solutions adopted in the Republic of Croatia for the reduction of the non-performing exposures/loans (NPE/NPL) were presented to representatives of the NBRNM, including the quantitative impact of these solutions. Main regulatory tools of the NBRNM for the reporting, managing and reduction of NPE/NPL were thoroughly covered and discussed, the weakest areas were identified and suggestions for improvement were addressed by the experts from the CNB.

Component 3. FINANCIAL ACCOUNTS STATISTICS

In this quarter, one virtual mission was performed in the beginning of December. It was held by the experts from the Croatian National Bank (CNB).

During the "Technical Mission of transferring CNB's FA compilation system to NBRNM", experts from the CNB together with BC counterparts made a transfer of CNB's IT solution for compilation of Financial Accounts into the NBRNM IT environment. MS Component Leader together with an IT expert from the CNB that designed and produced this IT solution shared know-how and provided technical support for implementation of the Croatian system for compilation of the annual and quarterly financial accounts. The mission was finalized by testing the solution, presentation of the overall process and providing some recommendations for the future development and possible improvements of the implemented IT solution.

Component 4. KNOW – HOW IN POLICY ANALYSIS



NBRNM researchers with MS Component 4 Leader present "A DSGE model with financial frictions for the Macedonian economy" at the 1st International Scientific Conference organized by Faculty of Economics, Skopje (online)

NOTE:

The well-being and health of all the participants in the project are of the utmost importance. Due to the pandemic situation, European Commission furthermore prolonged the ability to perform the missions virtually until 30 June 2021.

For more information, contact: Resident Twinning Adviser Office – twinning.nbrnm@gmail.com



НАРОДНА БАНКА НА РЕПУБЛИКА СЕВЕРНА МАКЕДОНИЈА

This project is funded by the European Union

Implementing Institutions

Beneficiary Institution

This publication was produced with the financial support of the European Union. Its contents are the sole responsibility of NBRNM and do not necessarily reflect the views of the European Union.

During the fifth project quarter, three virtual missions were conducted by the expert from the National Bank of Romania; two on model development, and one on presenting the current state of the model and the results at an international conference.

During the first mission, a review of the calibration done previously was discussed and it was concluded that given the latest data developments there is a need for updating data. Bayesian estimation for different subsets of parameters was done, with the goal of showing the potential problems that might arise in the process of estimation.

In the second mission, the review of the current state of the model and the latest developments in terms of coding parameters and data was performed. Moreover, references for certain unobserved variables (gaps for GDP and GDP components, real exchange rate and potential GDP) that come out from the quarterly projection model used regularly by the NBRNM were established, additionally to those that are imposed by the estimation of the model using Bayesian techniques and using endogenous priors.

On the third mission, the NBRNM experts with the help and mentorship of MS Expert participated and gave a presentation of the semi-final results of the model and research paper, under the title "A DSGE model with financial frictions for the Macedonian economy" at the 1st International Scientific Conference on "Economic and Business Trends Shaping the Future" organized by the Faculty of Economics, within the Saints Cyril and Methodius University in Skopje. The Conference took place from 12-13 November, in a video format, due to Covid-19 pandemic circumstances, and the presentation of the model was performed on 12 November.