



NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA

RULES

**for the Manner and the Procedure for Trade in and
Settlement of Securities Transactions on the Over-the-
Counter Markets**

December 2021

Pursuant to Article 47 paragraph 1 item 6 of the Law on the National Bank of the Republic of North Macedonia (Official Gazette of the Republic of Macedonia No. 158/10, 123/12, 43/14, 153/15, 6/16 and 83/18 and Official Gazette of the Republic of North Macedonia No. 110/21), and in accordance with Article 72 paragraph 3 of the Law on Securities (Official Gazette of the Republic of Macedonia No. 95/05, 25/07, 7/08, 57/10, 135/11, 13/13, 188/13, 43/14, 15/15, 154/15, 192/15, 23/16 and 83/18 and Official Gazette of the Republic of North Macedonia No. 31/20), the National Bank of the Republic of North Macedonia Council adopted the following

RULES

for the manner and the procedure for trade in and settlement of securities transactions on the over-the-counter markets

I. General provisions

Article 1

These Rules set out the manner and the procedure for trade in and settlement of securities transactions on the over-the-counter markets (OTC Markets).

Article 2

The abbreviations used in these Rules shall denote the following:

NBRNM:	National Bank of the Republic of North Macedonia
MIPS:	Macedonian Interbank Payment System
TARGET2:	Payment System of the European System of Central Banks CSD: Central Securities Depository

The terms used in these Rules shall denote:

Over-the-counter (OTC Markets): markets organized by the NBRNM, in cooperation with the Ministry of Finance, on which purchase and sale of short-term securities and Government bonds (other than bonds issued for payment of foreign currency deposits of citizens and denationalization bonds) are performed and realization of repo agreements

Outright transaction: purchase and sale of securities, without any obligation for their resale or repurchase

Repo transaction:	prompt sale/purchase of securities with an obligation for repurchase/resale of such or equivalent securities
Clean price:	is a price negotiated between the buyer and the seller at the conclusion of coupon securities transactions, not containing the accumulated interest from the beginning of the coupon period of trading to the transaction settlement date.
Dirty price:	is a price containing the clean price and the accumulated interest from the beginning of the coupon period of trading to the transaction settlement date.
Matching System:	NBRNM's electronic system for matching messages for transfer of ownership of denar securities
Special settlement account:	participant's account in the MIPS used for settlement of securities transactions concluded on the OTC Markets
CSD Account in MIPS:	an account on which the CSD temporarily transfers funds from the account of the bank buyer/of the buyer in order to eventually transfer them on the account of the bank seller/of the seller
ISIN (International Securities Identification Number):	international identification code of the securities issued on the financial markets.
Delivery Versus Payment (DVP) -	Principle of settlement which provides final transfer of ownership of securities with simultaneous transfer of funds
Free of Payment (FOP) -	Principle of settlement which provides final transfer of ownership of securities without transfer of funds.

Working day:

- (a) Regarding the transfer of the funds in denars, the day on which MIPS is open for operation;
- (b) Regarding the transfer of the funds in euros, the day on which TARGET2 is open for operation;
- (c) Regarding the transfer of the ownership of securities, the day on which depositories are open for operation in which the ownership of securities is registered.

II. Trade in securities on the OTC Markets

Article 3

Trade in securities on the OTC Markets implies purchase and sale of securities outside the Stock Exchange agreed between the buyer and the seller.

Article 4

A buyer or a seller of securities on the OTC Markets is any legal entity and natural person.

Article 5

The trade in securities on the OTC Markets is carried out only with registered securities.

No security shall be traded in on the OTC markets during the working day before the maturity date of the nominal amount of securities.

Article 6

The buyer and the seller shall negotiate the purchase and sale of securities on the OTC Markets by direct contact, by telephone, electronic communication or by other communication media.

In case of direct negotiating, purchase and sale contract shall be concluded by the buyer and the seller.

In case of negotiating by telephone, electronic communication or other media, the buyer and the seller shall exchange a confirmation or conclude a ticket, which shall be legally binding as the purchase and sale agreement.

Article 7

The buyer and the seller shall negotiate all essential elements of the purchase and sale transaction, as follows:

- type of transaction (outright or repo transaction);
- ISIN of securities;
- nominal amount;
- price;
- date of conclusion;
- date and time of settlement;
- securities accounts in the CSD;
- bank accounts.

In the conclusion of outright transactions with coupon securities, the buyer and the seller shall negotiate a clean price and calculate a dirty price.

In the conclusion of repo transactions, the buyer and the seller shall negotiate all essential elements under the General Repo Agreement.

Article 8

In case of a first contact between the buyer and the seller regarding the purchase and sale of securities on over the counter markets, they shall exchange data necessary for mutual identification (contact persons, telephone numbers, fax, address, etc).

Any change in the data referred to in paragraph 1 of this Article, shall be reported to the counterparty.

Article 9

The banks managing with Tenfore Banking Package information system shall quote buying and selling prices of Government securities every working day from 9:00 a.m. to 4:00 p.m.

The banks shall quote buying and selling prices (for securities they possess) for each maturity, minimum for the Government securities from the last issue.

The listed prices shall be applied for transactions up to Denar 1,000,000.00. If the transaction amount exceeds Denar 1,000,000.00, the counterparties shall agree on the transaction price. The quoted prices of the Government securities shall be published on the web site of the NBRNM.

III. Settlement of securities transactions on OTC Markets

Article 10

The settlement of securities transactions on the OTC Markets is carried out by the Delivery versus Payment principle.

As an exception to paragraph 1 of this Article, when purchasing securities on temporal basis by the NBRNM for the purpose of providing foreign currency liquidity in euros to the banks on the basis of the credit (repo) line in euros approved to the NBRNM by the European Central Bank, as well as when managing the repo transactions exposure, the Free of Payment principle shall be applied.

When settling transactions with collateral instruments that are issued on international financial markets, the NBRNM approves the funds once it receives confirmation of final transfer of the ownership of securities to the account of the NBRNM.

Article 11

Participants in the settlement of securities transactions are the banks and the NBRNM, acting as a bank buyer, and a bank seller, that deliver instructions for settlement of securities transactions on its behalf and for its account.

When the buyer, or the seller is not a bank, they deliver, on a specified form, all the essential elements of the purchase and sale transaction specified in the Article 7 of these Rules to the bank required to identify the holder of the securities account in the CSD. The bank acts as a bank of the buyer, i.e. bank of the seller and delivers instructions for settlement of securities transactions on its behalf, and for the account of a client.

In the repo transactions, the buyer from the General Repo Agreement shall submit essential elements i.e. settlement instructions on the Purchase Date as a buyer of securities, and on the Repurchase Date as a seller of securities. The seller from the General Repo Agreement shall submit essential elements, i.e. settlement instructions, on the Purchase Date as a seller of securities, and on the Repurchase Date as a buyer of securities.

Article 12

The securities transactions shall be settled through the following systems:

- MIPS - provides smooth flow of the messages for transfer of ownership of securities and enables transfer of funds;
- Matching system - provides matching of the received messages through MIPS for transfer of ownership of securities;
- TARGET2 - enables transfer of the funds in cases when foreign currency liquidity in euros is approved;
- CSD System - transfers the ownership of securities.

Article 13

The securities transactions on the OTC markets shall be settled only with registered securities.

No transaction in securities shall be settled on the OTC markets during the working day before the maturity date of the nominal amount of securities.

Article 14

The securities transactions on the OTC market may be settled immediately, but no later than two working days after the date of concluding the transaction.

In the repo transactions, paragraph 1 of this Article shall refer only to settlement on the Purchase Date in accordance with the General Repo Agreement.

Article 15

The participants shall submit the settlement instructions in the form of standard electronically signed messages for transfer of ownership, i.e. transfer of funds, in accordance with the Standard for the purpose and the format of messages in the Matching System and the Standard for the purpose and the format of messages in the MIPS.

The participants shall submit the messages referred to in paragraph 1 of this Article to the MIPS and the Matching system on the settlement date in accordance with the Time Schedule of MIPS.

Article 16

As for the transfer of funds for settlement of securities transactions, the participants shall open a special account for settlement in MIPS.

As for the transfer of ownership for settlement of securities transactions, the participants should be registered at CSD, in accordance with its rules.

Article 17

The special accounts in the MIPS may be debited only by the CSD and the NBRNM.

If after the expiration of the time for receipt of messages for transfer of funds in denars there are funds on the special account, the NBRNM shall automatically return them to the regular account of the MIPS participant.

The CSD and the NBRNM shall debit the special account of the participant, as specified by the Authorization for debit of the account granted by the participant from Annex 1 of the MIPS Operating Rules.

Sending messages for transfer of funds and transfer of ownership of securities

Article 18

On the settlement date, the participants shall send properly filled in messages to the MIPS and to the Matching System, in accordance with the chart (Annex 1), and in accordance with the Standard for the purpose and the format of messages in the Matching system and the Standard for the purpose and the format of messages in the MIPS.

When buying securities, the bank buyer/of the buyer sends a message for transfer of funds from the regular account to the bank's special settlement account in MIPS, Step (1) and a message for transfer of ownership of securities to the Matching system, Step (2a). When selling securities, the bank seller/of the seller sends a message for transfer of ownership of securities to the Matching System, Step (2b).

When transferring the ownership of securities without transfer of funds, the bank buyer/of the buyer and the bank seller/of the seller send only messages for transfer of ownership of securities.

Article 19

The participants may cancel the messages for transfer of ownership of securities before they are matched and sent to the CSD.

The participants may demand return of funds from the special account to the regular account for settlement in MIPS before the messages for transfer of ownership of securities are matched and sent to the CSD.

Matching of messages for transfer of ownership of securities

Article 20

The Matching System shall control the elements of the messages for transfer of ownership from steps (2a) and (2b) and shall report on errors occurred.

After the control, the Matching system compares the elements of messages for transfer of ownership from steps (2a) and (2b) and if messages are matched, it sends a uniform message for transfer of ownership to the CSD, step (3).

The control and comparison of the elements of messages for transfer of ownership from steps (2a) and (2b) is carried out in accordance with the Standard for the purpose and the format of messages in the Matching system.

Article 21

If the messages for transfer of ownership under steps (2a) and (2b) are not matched until the end of the period specified in paragraph 2 of Article 15 of these Rules, the messages for transfer of ownership shall be considered invalid.

In the case of errors from paragraph 1 of Article 20 and invalid messages from paragraph 1 of this Article, the transaction shall remain unsettled, and without consequences for the NBRNM.

Settlement

Article 22

After the receipt of the uniform message for transfer of ownership from the Matching System, the CSD shall verify the balance on the seller's securities account.

When settling outright coupon securities transactions, the CSD shall calculate the accumulated interest from the beginning of the coupon period of trading to the transaction settlement date.

Following the above verification as defined by paragraph 1 of this Article, the CSD shall check the special account of the bank buyer/of the buyer in the MIPS, on which the funds for buying securities are transferred. If the special account of the bank buyer/of the buyer in the MIPS contains enough funds for settlement, the CSD shall transfer the funds from the special account of the bank buyer/ of the buyer in the MIPS to the account of the CSD in MIPS, Step (4).

The CSD shall transfer the funds from the account of the CSD in the MIPS to the regular account of the bank seller/bank of the seller, Step (5).

At the same time, the CSD shall, by transferring the funds, transfer the ownership of securities from the seller's account to the buyer's account.

As an exception to paragraphs 3, 4 and 5 of this Article, the CSD shall transfer the ownership of securities without transferring funds, on the basis of submitted messages in accordance with the Standard for the purpose and the format of messages in the Matching system. When transferring the ownership on the basis of exchange of securities, the buyer and the seller shall submit exchange instructions to the CSD, on a specified form in accordance with Annex 2 of these Rules.

Article 23

Provided that the transaction settlement conditions referred to in paragraphs 1 and 3 of Article 22 have not been fulfilled, the settlement shall not be carried out and shall have no consequences for the CSD.

Article 24

The CSD shall inform the NBRNM about the outcome of the settlement, Step (6). The NBRNM, through the Matching system, delivers the report from the CSD to the participants, without controlling its contents and format, step (7).

Article 25

The participants shall check the notice and the settlement instructions within two hours from receiving the notice referred to in Article 24 and shall, in the case of error in the elements of the messages for transfer of securities ownership, inform the NBRNM by submitting an adequate documentation for the respective transaction.

On the basis of the obtained documentation, the NBRNM shall notify the participants and the CSD on the manner of correcting the error. The error shall be corrected on the same working day, provided that the documentation for the respective transaction is submitted to the NBRNM by 3:00 p.m., i.e. the next working day, provided that the documentation for the respective transaction is submitted to the NBRNM after 3:00 p.m.

Article 26

Interruption of the process of settlement of securities transactions on OTC markets may occur with the NBRNM and the CSD due to:

- Interruption of the power supply;
- Malfunction of the communication equipment and servers;
- Vis major.

In the case any of the above mentioned risks arise, the process of settlement of securities transactions on the OTC markets shall be temporarily interrupted. The NBRNM and/or CSD shall additionally notify the banks on the date and time of resuming the process of settlement of securities transactions on the OTC markets.

IV. Reporting on securities transactions on the OTC Markets

Article 27

The banks shall report to the NBRNM electronically on the agreed securities transactions on the OTC markets.

The banks shall submit to the NBRNM, reports on concluded outright transactions with legal entities, in real time, and reports on outright transactions with natural persons and repo transactions at the end of the day. The bank seller of securities shall submit reports on concluded repo transactions among banks. In the case the bank is not a party to any outright or repo transaction, the reports on the concluded transactions shall be submitted by the bank of the seller of securities, at the end of the day.

The banks shall submit the reports on the concluded transactions referred to in paragraph 2 of this Article on specified forms from Annex 2 of these Rules.

The banks shall keep electronic records on the concluded transactions with natural persons on specified forms.

Article 28

The NBRNM shall prepare and announce aggregated data on the concluded transactions on the OTC markets.

V. Closing provisions

Article 29

Annexes 1 and 2 with the corresponding forms shall be an integral part of these Rules.

Article 30

The Governor of the NBRNM shall prescribe the Standard for the purpose and the format of messages in the Matching System.

Article 31

The NBRNM shall monitor the enforcement of these Rules.

The NBRNM shall consult and cooperate with the market participants, for the promotion of the OTC Markets.

When trading on the OTC markets, the market participants shall behave ethically and professionally.

Article 32

With the implementation of these Rules, the Rules for the manner and the procedure for trade in and settlement of securities transactions on the over-the-counter markets (Official Gazette of the Republic of Macedonia No. 81/11) shall cease being valid.

Article 33

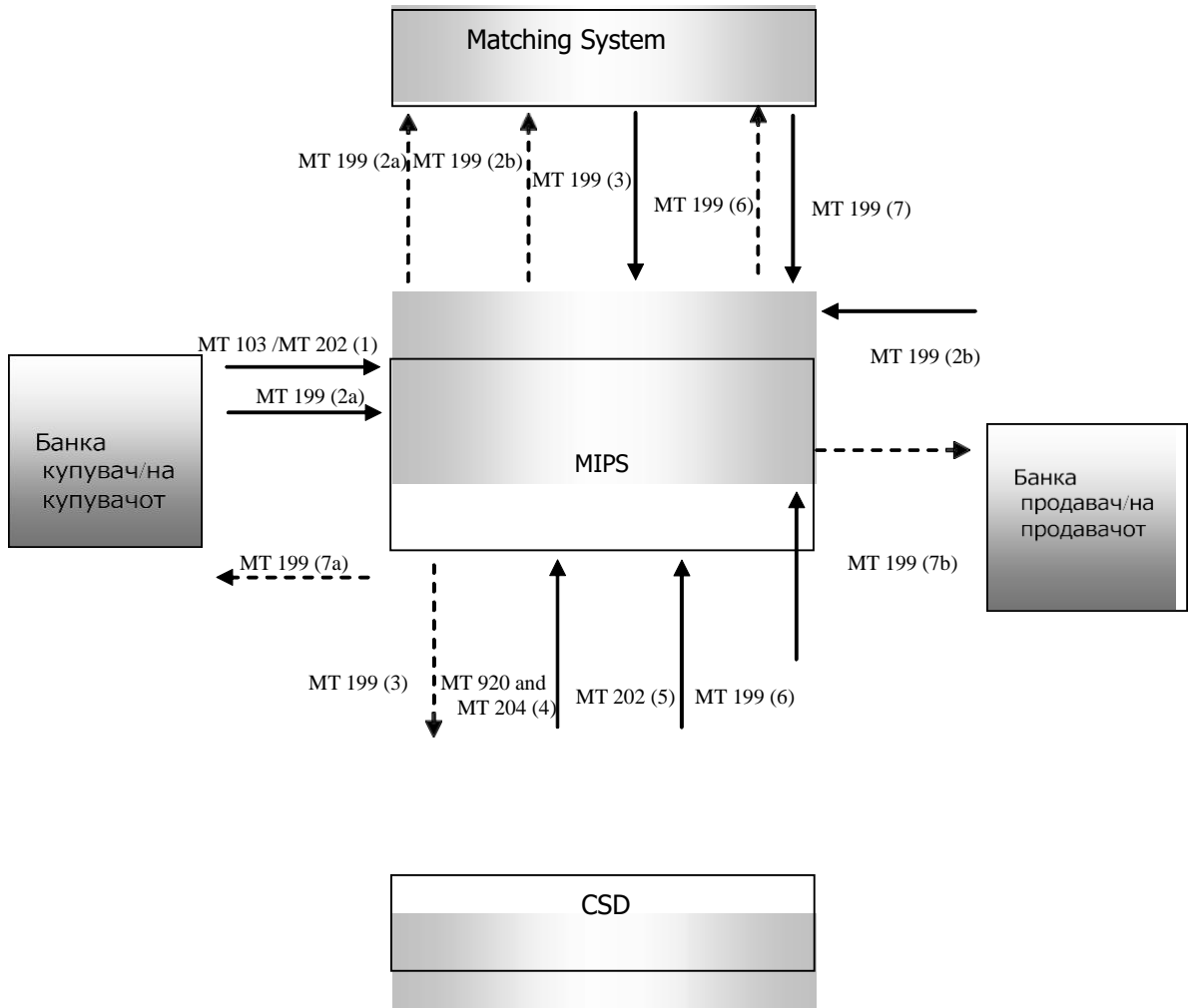
These Rules shall enter into force on the eighth day from the date of their publication in the Official Gazette of the Republic of North Macedonia.

**Rul. No. 02-15/XIX-1/2021
3 December 2021 Skopje**

**Anita Angelovska Bezhoska
Governor and Chairperson
of the National Bank of the
Republic of North Macedonia
Council**

Annex 1.

Chart for settlement of securities transactions on the OTC Market



Annex 2. Forms

To

Bank:

Address:

Tel, fax

Number:

Date:

Place:

INSTRUCTIONS

for settlement of securities transactions on over-the-counter markets submitted by the seller (buyer) to the bank

SELLER

BUYER

Name (for legal entity), name and surname (for natural person): _____

Code (National ID) _____

Address: _____

Main office (for legal entity), place of residence (for natural person): _____

State: _____

Tel./Fax: _____

Date of concluding the transaction: _____

Date and time of settling the transaction: _____

Type of transaction: _____

ISIN of securities: _____

Nominal amount: _____

Number of securities: _____

Price: _____

The following shall be filled out in outright transactions with coupon securities:

Clean price: _____

Dirty price: _____

Amount:

The following shall be filled out in outright transactions with coupon securities:

Clean amount: _____

Gross amount: _____

Securities account of the seller in the CSD: _____

Securities account of the buyer in the CSD: _____

Bank of settlement of the other party: _____

Bank account of the seller for transfer of funds from the sold securities (to be filled in only by the seller): _____

Bank account of the buyer for transfer of funds for the purchased securities (to be filled in only by the buyer): _____

Bank account of the buyer for payment of the securities on the maturity date (to be filled in only by the buyer): _____

Signature

To
Central Securities Depository
Skopje

Date:

INSTRUCTIONS

For exchange of securities on the basis of concluded repo transactions on over-the-counter markets

Date of concluding a repo transaction: _____

Purchase Date: _____

Repurchase Date: _____

Confirmation No. _____

Date of exchange of securities: _____

Securities account of the buyer in the CSD: _____

Securities account of the seller in the CSD: _____

Transfer from the securities account of the buyer to the securities account of the seller in the CSD:

ISIN of securities: _____

Nominal amount: _____

Number of securities: _____

Transfer from the securities account of the seller to the securities account of the buyer in the CSD:

ISIN of securities: _____

Nominal amount: _____

Number of securities: _____

Buyer:

Seller:

Report on securities transactions conducted on the over-the-counter markets

Outright transactions and repo transactions conducted with legal entities:

Ref. no.	Description	Type
1	Bank code	an(7)
2	Buyer code	an(7)
3	Seller code	an(7)
4	Type of transaction (O-outright, R-repo)	an(1)
5	Date and time of concluding	d (dd.mm.yyyy hh:mm:ss)
6	Settlement Date	d (dd.mm.yyyy)
7	ISIN	an(15)
8	Nominal amount of securities	n
9	Price*	n
10	Repo interest rate	n
11	Maturity	n

The last two fields shall be filled in only for repo transactions.

If the buyer/seller is a legal entity - non-resident, the above table shall be filled in with the following data:

Ref. no.	Description	Type
12	Name of legal entity - non-resident	an(100)
13	Non-resident's nationality	an(2)
14	Address of non-resident	an(30)
15	Main office of non-resident	an(20)
16	State of non-resident	an(2)

Outright transactions conducted with natural persons:

Ref. no.	Description	Type
1	Bank code	an(7)
2	Date and time of concluding	d (dd.mm.yyyy hh:mm:ss)
3	ISIN	an(15)
4	Total traded nominal amount of securities	n
5	Weighted price*	n

an- alphanumerical data

d- date/time data n- numerical

data

Bank
Address
s

Electronic records of transactions concluded with natural persons on OTC markets

Ref. No.	ISIN	Days (years) to maturity	Date of concluding	Settlement Date	B (buys) / S (sells)	Name & surname of natural person <input type="checkbox"/>	Nat.ID	Address	Nominal amount	Price*	Yield

* In outright coupon securities transactions, the clean price shall be indicated.