

National Bank of the Republic of North Macedonia



INSTRUCTIONS

on settlement of transactions with issued CB bills

December 2021

Pursuant to Article 48 paragraph 1 item 3 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 item 20 paragraph 3 of the Decision on CB bills (Official Gazette of the Republic of Macedonia No. 166/13, 30/15, 35/15 and 148/15), the Governor of the National Bank of the Republic of North Macedonia adopted the following

INSTRUCTIONS on settlement of transactions with issued CB bills

I. General provisions

1. These Instructions shall prescribe the settlement of transactions with issued CB bills.

II. Settlement of transactions

2. The settlement of the transactions with CB bills on the secondary market shall be performed according to the "delivery v.s. payment" principle.

As an exception to paragraph 1 of this item, when purchasing CB bills on temporal basis by the National Bank of the Republic of North Macedonia (hereinafter: the National Bank), 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 National Bank by the European Central Bank, as well as when managing the repo transactions exposure, the "delivery without payment" principle shall be applied.

3. Participants in the settlement of transactions with CB bills shall be the banks and the National Bank, which shall submit instructions for settlement of outright transactions and repo transactions with CB bills in the capacity of purchasing bank, i.e. selling bank.

In case of repo transactions, the purchaser from the General repo agreement shall submit settlement instructions on the purchase date as a purchaser of CB bills, while on the repurchase date, as a seller of CB bills. The seller from the General repo agreement shall submit settlement instructions, on the purchase date as a seller of CB bills, while on the repurchase date, as a purchaser of CB bills.

4. Systems used to perform the settlement of the transactions with CB bills include

- MIPS - provides smooth flow of the messages for transfer of the ownership of securities and enables transfer of funds;
- Matching system - provides matching of the messages received through MIPS for transfer of the ownership of securities;
- The CB bills depository with the National Bank - provides transfer of the ownership of CB bills.

5. The settlement of the transactions with CB bills on the secondary market shall be performed no longer than two business days from the day of conclusion of the transaction.

No settlement of transactions with CB bills on the maturity date shall be performed.

6. The participants shall submit the instructions for settlement of the transactions with CB bills in the form of standard electronically signed messages for transfer of ownership, i.e. for transfer of funds, pursuant to the Standard for the purpose and format of the messages in the Matching System, adopted by the Governor and the Standard for the purpose and format of the messages in the MIPS, which is an integral part of the MIPS Operating Rules, adopted by the Governor.

The participants shall submit instructions for settlement of transactions with CB bills on the settlement date, from the moment MIPS becomes available to the entities responsible for conducting the payment operations for submission of messages for transfer of funds to the moment when MIPS ceases to receive messages for transfer of funds from the entities responsible for conducting payment operations, according to the MIPS Term Plan.

When purchasing CB bills, the purchaser shall send message for transfer of funds from their regular account to the regular account of the seller in MIPS. The message for transfer of funds shall contain DVP field which shall state instructions for CB bills transfer of ownership. When applying the "delivery without payment" principle, the purchaser instead of message for transfer of funds to MIPS, shall send message for transfer of the ownership of CB bills.

When selling CB bills, the seller shall send message for transfer of the CB bills ownership to the matching system.

The participants may withdraw the messages for transfer of funds and the messages for transfer of the CB bills ownership before they are matched.

7. When applying the "delivery v.s. payment" principle, the matching system shall control and compare the elements of the message for transfer of funds (field for DVP code) and the message for transfer of ownership and it shall report on errors if any.

When applying the "delivery without payment" principle, the matching system shall control and compare the elements of the messages for transfer of ownership and it shall report on errors if any.

The control and the comparison of the elements of the messages shall be performed pursuant to the Standard for the purpose and format of the messages in the Matching System.

8. If the messages referred to in item 6 paragraph 3 fail to be matched until the expiration of the period set forth in item 6 paragraph 2 of these Instructions, the messages for transfer of ownership of CB bills shall be deemed invalid, while the funds shall be paid back to the purchasing bank by default by the matching system.

In instances of errors under paragraph 1 of item 7 of these Instructions, and invalid messages under paragraph 1 of this item, the settlement of the transactions shall not be performed and without consequences for the National Bank.

9. If the message for transfer of funds and the message for transfer of ownership of CB bills match, the National Bank shall verify the stock of the seller's CB bills in the depository.

If the seller has enough amount of CB bills, the National Bank performs a simultaneous transfer of the funds and the ownership of CB bills.

If the seller does not have enough amount of CB bills, the settlement shall not be performed and without consequences for the National Bank.

10. The purchaser and the seller of CB bills shall be informed about the outcome of the settlement through the matching system.

III. Closing provisions

11. Once these Instructions enter into force they shall supersede the Instructions on settlement of transactions with issued CB bills (Official Gazette of the Republic of Macedonia No. 42/11).

12. These Instructions shall enter into force on the date of their publishing in the Official Gazette of the Republic of North Macedonia.

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Skopje

Anita Angelovska Bezhoska
Governor