

**LAW ON THE NATIONAL BANK
OF THE REPUBLIC OF MACEDONIA
(revised text- unofficial¹)**

I. GENERAL PROVISIONS

Article 1

This Law shall regulate the operations and organization of the National Bank of the Republic of Macedonia (hereinafter referred to as the National Bank).

Article 2

The National Bank is the central bank of the Republic of Macedonia.
The National Bank is the sole issuing bank in the Republic of Macedonia.

Article 3

Main objective of the National Bank shall be to maintain the price stability.

The National Bank shall support the economic policy of the country and the financial stability of the country without jeopardizing the realization of the main objective, and adhering to the principles of the market economy.

Article 4

The National Bank is independent in performing the functions entrusted by this and other laws.

When performing its functions, the National Bank and the members of the decision-making bodies shall neither require nor get instructions from the central government and the administrative bodies.

Article 5

The National Bank is a legal entity in the sole ownership of the state, with financial and administrative independence.

Article 6

The National Bank shall perform its activities on the territory of the Republic of Macedonia.

The seat of office of the National Bank is in Skopje.

¹ This revised text consists of the Law on the National Bank of the Republic of Macedonia, "Official Gazette of the Republic of Macedonia" no. 3/02 and the Laws on Amending the Law on the National Bank of the Republic of Macedonia ("Official Gazette of the Republic of Macedonia" no. 51/03, 85/03, 40/04, 61/05 and 129/06)

The seal of the National Bank shall bear the name of the National Bank in Macedonian language and the coat of arms of the Republic of Macedonia.

II. CAPITAL OF THE NATIONAL BANK

Article 7

The capital of the National Bank consists of initial capital and reserves.

The capital of the National Bank shall neither be transferred nor be a subject of any encumbrance whatsoever.

Article 8

As of December 31, 2002, the initial capital of the National Bank is in the amount of Denar 1,289,789,232.00 and may increase by allocation of the net income.

To increase the initial capital of the National Bank prior approval of the Government of the Republic of Macedonia is required.

Article 9

The reserves of the National Bank shall be established and used in a manner stipulated under this Law.

III. FUNCTIONS OF THE NATIONAL BANK

Article 10

The National Bank shall perform the following functions within the framework of its rights and responsibilities:

- establish and conduct the monetary policy;
- regulate the general liquidity of the banking system;
- regulate the liquidity in the payments abroad;
- establish and conduct the Denar exchange rate policy;
- hold and manage the foreign exchange reserves;
- regulate the payment system in accordance with a law;
- coordinate the payments and settlement of accounts among banks and distribute cash;
- grant founding and operating license to a bank and a savings house and supervise the banks and savings houses;

- grant a license for performing services of prompt money transfer and supervise the operations of the entities performing services of prompt money transfer in accordance with a law;
- grant operating license to foreign exchange bureaus and supervise their operations in accordance with a law;
- act as a custodian of the pension funds, in accordance with a law;
- issue banknotes and coins;
- purchase rare and original coins found on the territory of the Republic of Macedonia;
- perform activities for the account of the central government and the government administration bodies;
- represent the Republic of Macedonia in the international financial institutions in accordance with this Law; and
- establish an IT system; and
- establish and maintain a Data Registry of the credit exposure of legal entities and natural persons to banks and savings houses founded in the Republic of Macedonia.

Article 11

In order to perform the functions under Article 10 of this Law, the National Bank shall determine the instruments and measures.

1. Monetary Policy

1.1. Financial Market Operations

Article 12

For the purpose of achieving its main objective, the National Bank shall participate in the financial markets in order to achieve the main objective by:

- outright purchase and sale of financial instruments;
- purchase and sale of financial instruments under repurchase agreements;
- purchase and sale of precious metals;

1.2. Compulsory Reserve

Article 13

The National Bank shall define the base for calculation and allocation of compulsory reserve of banks and savings houses and shall prescribe the percentage of the compulsory reserve, the manner and the time frames for calculation and allocation of compulsory reserve and conditions for using the compulsory reserve.

The National Bank shall determine the interest rate level used for calculation and payment of interest on the compulsory reserve allocated by banks and savings houses with the National Bank.

Article 14

If the banks fail to fulfill the requirement for allocation of compulsory reserve, or they fail to adhere to the conditions for using the compulsory reserve, the National Bank shall apply penalty interest rates and impose actions stipulated under this and other laws.

The requirements and the measures referred to in paragraph 1 of this Article shall not apply to a bank in which the National Bank has introduced a receiver.

1.3. Issuance of Securities

Article 15

For the purpose of achieving the monetary policy objectives, the National Bank may issue securities.

The National Bank shall determine the participants and the conditions for trading with securities under paragraph 1 of this Article.

1.4. Credit Operations

Article 16

The National Bank may extend short-term credits to banks and savings houses in the country, provided that the credit is secured by instruments for securing credits.

In order to preserve the stability of the financial system, the National Bank may extend a short-term liquidity credit (lender of last resort facility), provided that the credit is secured with securing instruments.

The National Bank shall, by a Decision, stipulate the types and the terms for extending the short-term credits from paragraphs 1 and 2 of this Article, as well as the types of the securing instruments from paragraphs 1 and 2 of this Article.

1.5. Interest Rate Policy

Article 17

The National Bank shall independently determine and announce its own interest rates.

2. Maintaining the Liquidity in the Payments Abroad

Article 18

The National Bank shall participate in the preparation of the projection of the balance of payments of the Republic of Macedonia and shall monitor its realization.

Article 19

The National Bank, in compliance with the balance of payments projection, shall monitor international credit relations.

If certain divergence from the balance of payments projection is identified, the National Bank shall inform the Government of the Republic of Macedonia and shall propose measures for preventing or eliminating the causes that contribute to the divergence from the balance of payments projection.

2.1. Exchange Rate Policy

Article 20

The National Bank shall determine the Denar exchange rate policy.

The National Bank shall conduct the Denar exchange rate policy in accordance with the accomplishment of the main objective.

Article 21

The National Bank shall conduct the Denar exchange rate policy through the following:

- purchase and sale of foreign exchange, securities denominated in foreign currency, as well as precious metals, and
- banking operations with domestic and foreign institutions.

Article 22

The National Bank may be internationally indebted with short-term credits with up to one-year maturity, on its behalf and for its account, not exceeding 3% of the amount of the net foreign exchange reserves.

The National Bank may be indebted on its behalf and for the account of the Republic of Macedonia only based on a law.

Article 23

In order to maintain the liquidity in the payments abroad, the National Bank may oblige the authorized banks to hold a certain amount of liquid foreign exchange, and may implement other measures for which it is authorized by a law.

Article 24

The National Bank shall conduct control of the foreign exchange operations of banks and the operations of the exchange offices.

The National Bank shall conduct indirect control of the other residents in accordance with the Law on Foreign Exchange Operations.

If the control reveals violations and irregularities in doing businesses by entities under paragraph 1 and 2 of this Article, the National Bank shall undertake measures in accordance with this and other laws.

2.2. Handling and Managing the Foreign Exchange Reserves of the Republic of Macedonia

Article 25

The National Bank shall manage and handle the foreign exchange reserves of the Republic of Macedonia.

Article 26

The foreign exchange reserves of the Republic of Macedonia, managed and handled by the National Bank shall be held within the country in the vault of the National Bank, as well as in accounts abroad.

Article 27

The Minister of Finance and the Governor of the National Bank shall conclude an agreement for handling and managing the foreign exchange reserves of the Republic of Macedonia.

Article 28

Placement and holding of foreign exchange reserves shall be carried out according to the criteria of safety, liquidity and profitability, having in mind the maturity and the currency structure of the payments abroad.

3. Payment System

Article 29

The National Bank shall coordinate the payments and settlement of the accounts among banks and it shall distribute cash.

The National Bank shall supervise the lawfulness and functioning of the payment system in compliance with this and other laws.

The National Bank shall open and hold accounts of banks, treasury account, accounts of funds, deposit accounts of brokerage houses and other accounts which by law are prescribed to be held with the National Bank, and it shall conduct payments from the accounts.

Article 30

National Bank is a Government agent in the international payment operations.

4. Granting license and Supervision

Article 30-a

The National Bank shall grant a license for founding and operating a bank and a savings house, and for status changes and shall revoke the issued licenses in the cases specified in the Banking Law.

The National Bank shall notify the Ministry of Finance, in writing, on granting and revoking a license for founding and operating a bank and a savings house and on status changes, within 7 days after the date of the effectiveness of the Decision on granting, i.e. revoking a license.

Article 31

For the purpose of providing and preserving safe and stable banking system, without jeopardizing the primary objective, the National Bank shall take decisions, prescribe methodologies and standards, and undertake measures, adhering to the international standards.

The stability of the banking system and measures undertaken for the purposes of achieving and maintaining its stability shall be considered public interest.

The Governor of the National Bank shall prescribe a detailed method of accounting for banks and savings houses in compliance with the accounting regulations and the generally accepted accounting standards.

Article 32

The National Bank shall supervise banks and savings houses.

By conducting supervision, the National Bank shall assess the compliance of the operations of banks and savings houses with the supervisory regulations and standards.

The supervision shall be conducted by the National Bank in an indirect manner, by permanent off-site surveillance of the documentation that the banks and savings houses submit to the National Bank and in a direct manner, by an on-site examination, conducting full-scope or partial control of the operations of a bank and a savings house.

Upon request of the National Bank, the banks and savings houses shall be required to submit the necessary documentation and data pertaining to the supervision stipulated under this Article.

The National Bank shall also supervise the operations of entities that in accordance with the Banking Law are considered as entities affiliated with the bank.

Article 33

If the supervision stipulated under Article 32 of this Law indicates that banks and savings houses fail to adhere to the established standards, and if certain irregularities are identified in the enforcement of regulations, the Governor is obliged to undertake measures against the bank or the savings house and shall determine deadlines for compliance with the standards and elimination of the identified non-compliance and irregularities.

Article 34 is deleted

Article 35 is deleted

Article 36 is deleted

Article 37

The National Bank shall not be liable to third parties for the damages that may occur as a result of the measures for preserving the stability and soundness of particular bank or savings house or the overall banking system, undertaken by the supervision, except in cases when the supervision exceeded its authorizations prescribed by law.

The supervisor or the person who ceased conducting supervision (in case of change of post, retirement) shall not be liable for damages to third parties that may occur as a result of the measures for preserving the stability and soundness of a bank or savings house or the overall banking system, except in cases when the supervisor or the person is convicted of a criminal act related to the operation, with a decree absolute.

If the person stipulated under paragraph 2 of this Article is freed from responsibility, the costs incurred from the court procedure are settled by the National Bank.

Article 38

The National Bank may exchange information on the supervision of internationally active banks with the domestic supervisory bodies, as well as the bodies of other countries.

The National Bank may approve an on-site examination of a foreign bank, foreign bank subsidiary, and a foreign bank branch in the Republic of Macedonia conducted by supervisory bodies of the home country of the founding bank.

A copy of the report on the accomplished examination under paragraph 2 of this Article shall be required to be submitted to the National Bank within two months upon completion of the examination.

In order to assert the right under paragraphs 1 and 2 of this Article, the National Bank shall require the supervisory bodies from other countries to provide legal and operational capability to ensure confidentiality of the data.

The information under paragraph 1 of this Article, as well as the report under paragraph 3 of this Article shall be considered confidential data.

Article 39

The National Bank may require data on the ownership of securities that are held with the Central Securities Depository in order to perform the functions stipulated in this Law.

5. Establishing an Information System

Article 40

The National Bank shall gather, process, publish and distribute data and information, relevant for performance of its function, in accordance with this Law and other laws.

The National Bank shall prescribe the manner and scope of gathering, processing, distributing and publishing the gathered data and information.

Article 41

The National Bank, the Ministry of Finance and other government bodies and institutions shall exchange data and information relevant for the functioning of the monetary and financial system.

Within the scope necessary for monitoring the financial system, the National Bank shall submit data and information to the Ministry of Finance on the following:

- application of supervisory measures which the National Bank is required to report to the Ministry of Finance, in accordance with the Banking Law and
- quarterly data on the performances of the banking system pertinent to own funds, capital, capital adequacy, credit exposure, liquidity indicators, off-balance sheet items, value of the investments in the capital of financial and non-financial institutions.

Obtained data and information on individual natural persons and legal entities related to the performance of the functions of the National Bank shall be considered confidential data.

5-a Credit Registry

Article 41-a

The National Bank shall establish and maintain a Data Registry of the credit exposure of legal entities and natural persons to banks and savings houses founded in the Republic of Macedonia (hereinafter: Credit Registry).

Banks and savings houses shall be required to submit data and information needed for the purposes of the Credit Registry to the National Bank.

The type, the manner and the deadlines for submitting the data and the information from paragraph 2 of this Article shall be prescribed by the National Bank.

Banks and savings houses may use the data and information from the Credit Registry in a manner and under terms prescribed by the National Bank and they shall consider them confidential data.

6. Issuance of Notes and Coins

Article 42

The National Bank shall have an exclusive right to issue banknotes and coins that are denominated in Denars and represent the legal tender of the Republic of Macedonia.

The National Bank shall determine the denominations and the basic features of the banknotes and coins it issues.

Article 43

The National Bank shall be authorized to produce and distribute banknotes and coins under Article 42 of this Law.

Article 44

The National Bank shall withdraw the banknotes and coins from circulation that ceased to be the legal tender.

The withdrawal and replacement of the banknotes and coins shall be carried out within the time frames and in a manner determined by a decision of the National Bank.

The National Bank shall be obligated to publish the decision on the time frames and the manner of withdrawal and replacement of coins and banknotes in the press.

After the publicly announced deadline for replacement of the withdrawn notes and coins expires, they cease to be legal tender.

Article 45

The National Bank of Macedonia shall replace the banknotes and coins that became unfit for circulation under terms and in a manner that it shall determine.

Article 46

The counterfeited banknotes and coins shall be seized without being compensated.

The Governor of the National Bank, in cooperation with the Minister of Internal Affairs, shall prescribe the principles and procedures for identification of the counterfeited banknotes and coins, and the procedures that follow.

The National Bank shall be exclusively entitled to provide expert opinion on authenticity of the banknotes and coins denominated in Denars.

Article 47

The National Bank in consent with the Government of the Republic of Macedonia shall determine the lowest denomination in circulation for rounding up of the final settlement in payment transactions involving cash and in non-cash payments and in business books.

Article 48

The decision on issuance of banknotes in case of emergency in the country due to a state of war shall be brought by the Government of the Republic of Macedonia.

Article 49

The National Bank shall issue jubilee coins in accordance with a law.

7. Operations for the Account of the Central Government and Government Administration Bodies

Article 50

The National Bank may carry out deposit operations, placement and trading with securities, payment operations and other financial activities for the account of the central government and government administration bodies, in accordance with this and other laws.

Article 51

The National Bank shall not extend loans and credits to the central government and government administration bodies.

The National Bank shall not guarantee the assumed liabilities of the bodies under paragraph 1 of this Article and shall not purchase directly their debt instruments.

Article 52

Provisions of Article 51 shall not pertain to:

- financing of the liabilities of the Republic of Macedonia to the International Monetary Fund
- credits or loans with up to one-day maturity, with no possibility to be renewed or extended.

8. Representing the Republic of Macedonia in the International Financial Institutions

Article 53

The National Bank is a member of the Bank for International Settlements and in other international financial institutions and organizations.

IV. RELATIONS OF THE NATIONAL BANK WITH THE PARLIAMENT OF THE REPUBLIC OF MACEDONIA

Article 54

The National Bank shall submit the decision on the monetary policy objectives to the Parliament of the Republic of Macedonia. The monetary policy projection is an integral part of the decision.

The National Bank shall publish the decision on the monetary policy objectives and the monetary policy projection at latest two months after they are adopted by the National Bank Council.

Article 55

The National Bank shall submit the following reports to the Parliament of the Republic of Macedonia:

1. semi-annual and annual report on the operations;
2. semi-annual and annual report on the supervision and the undertaken measures against banks and savings houses;
3. semi-annual and annual report on handling the foreign exchange reserves.

The National Bank shall be obligated to publish the reports under paragraph 1 of this Article at latest six months from the expiration of the period they refer to.

Article 55-a

The competent commissions in the Parliament of the Republic of Macedonia shall, at least once in six months, convene a meeting with the Governor in order to be informed on the National Bank operations.

V. BODIES OF THE NATIONAL BANK

Article 56

The bodies of the National Bank shall be the National Bank Council and the Governor of the National Bank.

1. National Bank Council

Article 57

The National Bank Council shall consist of the Governor of the National Bank, two Vice-Governors and six external members.

Article 58

The members of the National Bank Council shall be citizens of the Republic of Macedonia and shall have a university degree in the area of economics or law and working experience of at least five of the last ten years prior to the appointment, in the area of finance, banking or scholarly activity in the area of economics.

A member of the National Bank Council may not be:

- a member of a bank or savings house bodies;
- employee in a bank or savings house;
- person holding managing position in a bank or a savings house against which a bankruptcy proceeding has been initiated;
- official that manages a government body, public enterprise or local government;
- a person against whom the court imposed a security measure for ban on practicing profession and performing activity or duty;
- a member of trade union administrative bodies;
- net debtor or representative of a net debtor in a bank or savings house;
- manager of a company which is a major owner of a bank;
- shareholder who owns more than 10% of the shares with managing right in a bank or savings house; and
- a person sentenced to imprisonment for a criminal act, as follows:
 - a) in the period from the effectiveness of the sentence to the day of serving out the sentence, and five years after the sentence is being served out, in the case of effective court sentence of up to three years of imprisonment;
 - b) in the period from the effectiveness of the sentence to the day of serving out the sentence, and ten years after the sentence is being served out, in the case of effective court sentence of over three years of imprisonment;

In the case of canceling the sentence referred to in paragraph 2 indent 10 of this Article, the Criminal Code provisions shall respectively apply.

A member of the National Bank Council and the Vice-Governor who is not a member of the National Bank Council may not be members of the management bodies of a bank or a savings house, may not be employed by or establish a bank or a savings house during the term of office and two years after the expiration of their term of office or their dismissal.

A person who is a member of a political party may be a member of the National Bank Council only if s/he voluntarily withdraws from the party during her/his mandate in the National Bank Council.

Article 59

The Governor of the National Bank shall be the President of the National Bank Council. In case of absence of the Governor, the Vice-Governor authorized by the Governor shall act in the capacity of the President of the Council.

Article 60

The Parliament of the Republic of Macedonia shall appoint the members of the National Bank Council, excluding the Vice-Governors, for a term of seven years, upon proposal of the President of the Republic of Macedonia.

The National Bank Council members, except for the Governor and the Vice-Governors, shall not be eligible for consecutive appointment.

The term of office as a member of the National Bank Council shall terminate:

- after the expiration of a seven-year period from the date of his/her appointment;
- in case of decease;
- in case of his/her resignation;
- in case of relieving from office.

The National Bank Council member may be relieved from office:

- in the case s/he is sentenced to imprisonment for a criminal act, as follows:
 - a) in the period from the effectiveness of the sentence to the day of serving out the sentence, and five years after the sentence is being served out, in the case of effective court sentence of up to three years of imprisonment;
 - b) in the period from the effectiveness of the sentence to the day of serving out the sentence, and ten years after the sentence is being served out, in the case of effective court sentence of over three years of imprisonment;
- if the court imposed a security measure for ban on practicing a profession, performing activity or duty as manager in an institution;

- in case of a long-lasting serious disease, which prevents him/her from performing the obligations;
- if s/he lost her/his business abilities; and
- if s/he performs the function and the competence entrusted to her/him by the Law dishonestly, non-conscientiously, irresponsibly, unprofessionally and untimely.

In the case of canceling the sentence referred to in paragraph 4 indent 1 of this Article, the Criminal Code provisions shall respectively apply.

A member of the National Bank Council shall be relieved from office in an identical procedure as for his appointment.

The decision on relieving an external member of the National Bank Council from office shall be published in the Official Gazette of the Republic of Macedonia.

The Decision and the explanatory note to the decision under paragraph 7 of this Article shall be published at the web site of the Parliament of the Republic of Macedonia.

Article 61

The National Bank Council as well as each of its members shall be responsible to the Parliament of the Republic of Macedonia for performing the functions and tasks of the National Bank stipulated by this and other laws.

Article 62

The external members of the National Bank Council shall receive remuneration from the funds of the National Bank.

The National Bank Council members shall be required to give a statement on conflict of interest, if any, at least once at the beginning of every year.

If the objectivity of a National Bank Council member is at stake due to the conflict of interests, the Council member shall give a statement prior to the process of deciding on that issue and shall be excluded from the decision-making.

Article 63

The National Bank Council shall decide in its sessions.

The Minister of Finance may participate in the National Bank Council sessions and discussions, without being entitled to vote.

Other persons may participate in the National Bank Council sessions, if invited.

Article 64

The National Bank Council shall:

1. adopt the decision on the monetary policy objectives;
2. adopt the measures and instruments for conduct of monetary policy and shall monitor its conduct;
3. determine the Denar exchange rate policy;
4. adopt the National Bank Financial Plan and Annual Financial Statement;
5. adopt the National Bank Statute;
6. decide on the issuance and putting into circulation of new denominations of banknotes and coins as well as their withdrawal from circulation;
7. determine the manner and conditions for purchasing and selling gold and other precious metals;
8. decide on establishing a numismatic collection of rare and original coins found on the territory of the Republic of Macedonia;
9. prescribe rules and standards of conducting control and supervision;
10. determine the types of instruments for securing credits extended to banks and savings houses and the conditions for their usage;
11. decide on the amount, purpose and the manner of usage of the initial capital;
12. decide on the foreign exchange reserves management policy;
13. adopt the Annual and Semi-Annual Report;
14. decide on the uniform tariff for levying charges for the services rendered by the National Bank;
15. select an authorized auditing entity and shall adopt the auditing report on the National Bank operations;
16. adopt an operation plan for the Internal Audit Department;
17. appoint and dismiss the manager of the Internal Audit Department and shall decide on the termination of the employment of the manager;
18. monitor the operations of the Internal Audit Department and shall adopt the reports on the Department's operations;
19. decide upon appeals against decisions taken by the Governor;
20. adopt the Annual and Semi-Annual Report on Supervision and the undertaken measures;
21. adopt the Annual and Semi-Annual Report on Handling the Foreign Exchange Reserves, and
22. decide on other issues, which according to the Law are considered as issues within the competence of the National Bank, and are not within the competence of the Governor of the National Bank.

Article 65

The decisions of the National Bank Council shall be obligatorily published in the "Official Gazette of the Republic of Macedonia", except for the Decisions referred to in items 5, 16, 18, 19 and 21 of Article 64 of this Law.

Article 66

The National Bank Council shall adopt Rules of Procedure for its operations.

Article 67

The National Bank Council shall decide with simple majority of votes of all members of the National Bank Council.

The National Bank Council shall adopt a valid decision in the presence of at least six members of the National Bank Council, obligatorily including the Governor or the Vice-Governor authorized to act in the capacity of a Governor.

The National Bank Council shall decide on the monetary policy objectives with more than two-thirds majority of votes of all its members.

If the National Bank Council fails to achieve necessary consent in deciding on the issues under paragraphs 1 and 2 of this Article, and if the Governor of the National Bank finds that significant deterioration may occur in achieving the main objective due to absence of decision, s/he shall submit a report to the Parliament of the Republic of Macedonia, enclosing the individual opinions of the members of the National Bank Council, and shall adopt the decision for which a consent has not been achieved.

The Parliament of the Republic of Macedonia shall bring the final decision on the questions at issue stipulated under paragraph 4 of this Article, in the first subsequent session.

2. Governor

Article 68

The Governor of the National Bank shall represent the National Bank.

The Governor of the National Bank shall take decisions and adopt other general acts on the National Bank operations, which, according to this Law, are not within the competence of the National Bank Council and shall inform the National Bank Council on the decisions taken and general acts adopted, in the first subsequent session.

Article 69

The Governor of the National Bank shall be authorized to adopt manuals for uniform implementation of by-laws adopted by the National Bank Council in accordance with Article 64 and 68 of this Law.

The manuals and other regulations adopted by the Governor, which pertain to the operations of banks shall be submitted for publishing in the “Official Gazette of the Republic of Macedonia” within 3 days after the date the manual becomes effective.

Article 70

The Governor of the National Bank shall be appointed to and relieved from office by the Parliament of the Republic of Macedonia, upon proposal of the President of the Republic of Macedonia, for a term of seven years, and shall be eligible for one more consecutive appointment.

The term of office of the Governor shall terminate:

- after the expiration of a seven-year period from the date of his/her appointment;
- in case of decease;
- in case of his/her resignation and in case of relieving from office.

The Governor may be relieved from office:

- in the case s/he is sentenced to imprisonment for a criminal act, as follows:
 - a) in the period from the effectiveness of the verdict to the day of serving out the sentence, and five years after the sentence is being served out, in the case of effective court sentence of up to three years of imprisonment;
 - b) in the period from the effectiveness of the verdict to the day of serving out the sentence, and ten years after the sentence is being served out, in the case of effective court sentence of over three years of imprisonment;
- if the court imposed a security measure for ban on practicing a profession, performing activity or duty as a manager in the institution;
- in case of a long-lasting serious disease, which prevents him/her from fulfilling the obligations;
- if s/he lost her/his business abilities; and
- if s/he performs the function and the competence entrusted to her/him by the Law dishonestly, non-conscientiously, irresponsibly, unprofessionally and untimely.

In the case of canceling the sentence referred to in paragraph 3 indent 1 of this Article, the Criminal Code provisions shall respectively apply.

The Governor shall be relieved from office in an identical procedure as for his appointment.

The decision on relieving the Governor from office shall be published in the Official Gazette of the Republic of Macedonia.

The Decision and the explanatory note to the decision under paragraph 6 of this Article shall be published at the web site of the Parliament of the Republic of Macedonia.

Article 71

The Governor of the National Bank shall be responsible for his/her acts to the Parliament of the Republic of Macedonia.

Article 71-a

The provisions of the Law on General Administrative Procedure shall respectively apply to the procedure for adopting individual administrative acts for which, as specified by this and other law, decision is made by the Governor of the National Bank, unless otherwise defined by this law.

No appeal shall be filed against acts adopted by the Governor of the National Bank in an administrative procedure, and they shall be final in an administrative procedure.

Administrative dispute may be initiated against acts adopted by the Governor of the National Bank, unless otherwise defined by this law.

The provisions of paragraphs 2 and 3 of this Article shall not apply to acts adopted by the Governor of the National Bank in a public procurements procedure.

Article 72

The National Bank shall appoint three Vice-Governors.

The Vice-Governors shall be appointed by the Parliament of the Republic of Macedonia upon proposal of the Governor, for a term of seven years, and shall be eligible for one more consecutive appointment.

The Governor shall authorize one Vice-Governor between the Vice-Governors-members of the Council, to act in the capacity of a Governor.

The National Bank Statute shall determine which segments of the Governor's activities may be delegated to the Vice-Governors.

When appointing the Vice-Governors, the Parliament of the Republic of Macedonia shall decide who of the Vice-Governors will be members of the National Bank Council, upon proposal of the Commission for issues related to the Parliament elections and appointments.

Article 73

The term of office of the Vice-Governor shall terminate:

- after the expiration of a seven-year period from the date of his/her appointment;
- in case of decease;
- in case of his/her resignation and in case of relieving from office.

The Vice-Governor may be relieved from office:

- in the case s/he is sentenced to imprisonment for a criminal act, as follows:
 - a) in the period from the effectiveness of the sentence to the day of serving out the sentence, and five years after the sentence is being served out, in the case of effective court sentence of up to three years of imprisonment;
 - b) in the period from the effectiveness of the sentence to the day of serving out the sentence, and ten years after the sentence is being served out, in the case of effective court sentence of over three years of imprisonment;

- if the court imposed a security measure for ban on practicing a profession, performing activity and duty as a manager in the institution;
- in case of a long-lasting serious disease, which prevents him/her from fulfilling the obligations;
- if s/he lost her/his business abilities; and
- if s/he performs the function and the competence entrusted to her/him by the Law dishonestly, non-conscientiously, irresponsibly, unprofessionally and untimely.

In the case of canceling the sentence referred to in paragraph 2 indent 1 of this Article, the Criminal Code provisions shall respectively apply.

The Vice-Governor shall be relieved from office in an identical procedure as for his appointment.

The decision on relieving a Vice-Governor from office shall be published in the Official Gazette of the Republic of Macedonia.

The Decision and the explanatory note to the decision under paragraph 5 of this Article shall be published at the web site of the Parliament of the Republic of Macedonia.

Article 74

The Vice-Governors shall be responsible for their acts to the Parliament of the Republic of Macedonia.

VI. INTERNAL AUDIT DEPARTMENT

Article 75

The National Bank shall be required to establish an Internal Audit Department.

The Department under paragraph 1 of this Article shall be an independent organizational unit in the National Bank and shall be responsible for its activities to the National Bank Council.

The Department under paragraph 1 of this Article shall perform permanent and overall control over the lawfulness, regularity and accuracy of the National Bank operations.

The Department under paragraph 1 of this Article shall be managed by a manager, appointed to and relieved from office by the National Bank Council. The Council shall decide on the employment of the manager, in case it is terminated beyond his/her request.

The internal audit shall be performed according to the Rules of Procedure for performing internal audit adopted by the National Bank Council. The National Bank Council shall adopt a program of operations of the Internal Audit Department.

At least one of the employees of the Department referred to in paragraph 1 of this Article shall be an authorized auditor.

The Department under paragraph 1 of this Article shall inform the Governor of the National Bank on the findings from the audit. The findings from the internal audit shall provide ground for the Governor to undertake adequate measures.

The Department under paragraph 1 of this Article shall submit reports on its operations to the National Bank Council, at least twice a year.

VII. RIGHTS AND RESPONSIBILITIES OF THE NATIONAL BANK EMPLOYEES

Article 76

The Governor of the National Bank shall manage and organize the operations of the National Bank and shall take decisions related to employment issues and financial operations, in accordance with his/her authorizations.

Article 77

The Governor of the National Bank shall adopt:

- Book of Rules regulating the activities of the National Bank;
- Book of Rules for distribution of duties in the National Bank;
- Code of Conduct of the employees of the National Bank;
- Decision on financial remuneration for the positions in the National Bank; and
- Decisions related to the rights and responsibilities arising from the employment.

The Governor shall sign the special Collective Agreement regulating the relations with the National Bank Trade Union.

The Labor Law shall be applied to the employment issues not regulated by this Law.

Article 78

The Governor shall independently decide on the employment, promotion, reassignment, training, determination of the salary and other benefits, rewards for special engagement in work, imposing discipline measures, financial liability of the employees and termination of the employment.

Article 79

The employee shall be entitled to file an appeal to the National Bank Council against the decisions of the Governor stipulated under Article 77, paragraph 1 and Article 78 of this Law.

The Governor shall not be entitled to vote in the decision-making on the appeals under paragraph 1 of this Article.

Article 80

The employees of the National Bank and the National Bank Council members shall be required not to disclose information that are considered confidential data or business secret, to persons who are not authorized, if they obtained such information as employees in the National Bank, or members of the National Bank Council. This requirement shall continue after the termination of their employment in the National Bank, or membership in the National Bank Council.

VIII. INCOME AND EXPENDITURES, RESERVES AND DISTRIBUTION OF THE NET INCOME OF THE NATIONAL BANK

Article 81

The National Bank shall generate income from:

1. Participation in financial markets and issuance of securities;
2. Credit operations;
3. Managing and handling the foreign exchange reserves of the Republic of Macedonia;
4. Net positive exchange rate differentials;
5. Fees for services rendered;
6. Other income.

Article 82

The income generated by the National Bank shall cover:

1. Interest on deposits with the National Bank;
2. Interest on securities issued by the National Bank;
3. Expenditures arising from foreign exchange operations;
4. Net negative exchange rate differentials;
5. Expenditures based on special laws;
6. Expenditures arising from production and distribution of banknotes and coins;
7. Depreciation costs;
8. Tangible expenditures;
9. Residual from the net calculated negative exchange rate differentials and revalued negative value of gold after the coverage provided from the revaluation reserves;
10. Other expenditures.

Article 83

The National Bank may not conduct commercial activities which are not related to the performance of its functions.

The National Bank shall not grant guarantees and other type of collateral for liabilities of legal entities and natural persons, except for the cases specified in Article 52 of this Law.

Article 84

The National Bank shall establish general and revaluation reserves.

Article 85

General reserves shall be intended for covering the general risks in the operations of the National Bank.

Article 86 - deleted

Article 87 - deleted

Article 88 - deleted

Article 89

The net gain of the National Bank shall be allocated to the revaluation reserves, the general reserves and the Budget of the Republic of Macedonia.

The unrealized income arising from price and exchange rate fluctuations shall be fully allocated to the revaluation reserves. The revaluation reserves may be used only for covering the unrealized expenditures arising from price and exchange rate fluctuations.

After the allocation of the funds to the revaluation reserves, the net gain shall be allocated as follows:

- 1) 70% shall be allocated to the general reserves, until the level of core capital referred to in Article 8 paragraph 1 of this Law is reached, i.e. 15% after reaching the level of core capital referred to in Article 8 paragraph 1 of this Law,
- 2) the residue shall be allocated to the Budget of the Republic of Macedonia.

Article 89-a

The net loss of the National Bank shall be covered from the general reserves.

The net loss which cannot be covered in the manner referred to in paragraph 1 of this Article shall be covered from the Budget of the Republic of Macedonia and/or by negotiable, interest bearing debt securities issued by the Republic of Macedonia.

The securities referred to in paragraph 2 of this Article shall be issued with maturity of up to 10 years and interest at the level of the interest rate prevailing on the government securities market.

Article 90

The expenditures of the National Bank arising from the operations for the account of the government bodies and the bodies of government administration shall be covered by the Budget of the Republic of Macedonia.

IX. FINANCIAL STATEMENTS OF THE NATIONAL BANK

Article 91

One calendar year shall be considered as one fiscal year of the National Bank.

The Annual Financial Statements shall be prepared in accordance with the International Accounting Standards and accounting regulations.

Article 92

The National Bank shall prepare a Financial Plan and an Annual Financial Statement.

The Financial Plan and the Annual Financial Statement of the National Bank shall be adopted by the National Bank Council.

Until the Financial Plan of the National Bank is adopted, the National Bank Council shall take a decision on temporary financing of the National Bank.

The Annual Financial Statements of the National Bank shall be an integral part of the Annual Report of the National Bank, and shall be made public.

Article 93

The Annual Financial Statement of the National Bank shall be examined and assessed by an auditing entity in compliance with the international auditing standards, which shall prepare an auditing report, in line with the auditing regulations.

Article 94

The authorized auditing entity shall be required to submit the auditing report to the National Bank Council, within six months after the expiration of the calendar year the report refers to.

The National Bank shall publish the auditing report under paragraph 1 of this Article.

The National Bank shall prepare and publish monthly financial reports.

X. BUSINESS SECRET AND CONFIDENTIAL DATA

Article 95

The National Bank Council members and the employees of the National Bank shall not disclose the business secret and confidential data, regardless of the manner they obtained it.

The requirement for keeping the business secret and confidential data shall obligate the entities under paragraph 1 of this Article, even after the termination of the membership in the National Bank Council, or employment in the National Bank.

The data considered as a business secret and confidential data may be disclosed only upon written request of the court.

As an exception to paragraph 3 of this Article, in cases determined by law, the National Bank shall submit data to the Ministry of Finance, the Deposit Insurance Fund, Financial Police, State Anti-Corruption Committee and to the Department for Money Laundering Prevention.

The data referred to in paragraph 4 of this Article submitted to the Ministry of Finance, the Deposit Insurance Fund, Financial Police, State Anti-Corruption Committee and the Department for Money Laundering Prevention shall be considered a business secret.

XI. PENALTY CLAUSES

Article 96 is deleted

Article 97

An employee or a member of the National Bank Council shall be fined for offence with Denar 40.000 to 50.000, if s/he discloses information considered as a business secret or confidential data to unauthorized persons (Articles 80 and 95).

Article 98

Banks or savings houses shall be fined for an offence with Denar 100.000 to 300.000 if it:

1. fails to adhere to the method and the deadlines for calculation and allocation of the compulsory reserve and the conditions for compulsory reserve usage prescribed by the National Bank (Article 13);
2. fails to adhere to the requirement to hold certain amount of liquid foreign exchange assets (Article 23);
3. fails to submit or untimely submits the necessary documentation and data to the National Bank (Article 32); and
4. fails to submit or untimely submits the data and information needed for the Credit Registry to the National Bank (Article 41-a)

The responsible person in a bank or savings house shall be fined with Denar 10.000 to 50.000 for the offence stipulated under paragraph 1 of this Article.

Article 99

An exchange office shall be fined for offence with Denar 100.000 to 300.000 if it fails to undertake the measures imposed by the National Bank (Article 24).

The responsible person in an exchange office shall be fined with Denar 10.000 to 50.000 for the offence stipulated under paragraph 1 of this Article.

Article 100

If the legal entity, which according to the Banking Law is considered as an entity affiliated with the bank, hinders the control of the National Bank, it shall be fined for offence with Denar 100.000 to 300.000 (Article 32).

The responsible person in the legal entity stipulated under paragraph 1 of this Article shall be fined with Denar 10.000 to 50.000 for the offence stipulated under paragraph 1 of this Article.

If the natural person, who according to the Banking Law is considered as an entity affiliated with the bank, hinders the control of the National Bank s/he shall be fined for offence with Denar 10.000 to 50.000 (Article 32).

XII. TRANSITIONAL AND CLOSING PROVISIONS

Article 101

The members of the National Bank Council, appointed by the Parliament of the Republic of Macedonia, until the date this Law becomes effective shall perform their function to the date their term expires.

Article 102

By enforcing this law, one Vice-Governor shall be appointed as a member of the National Bank Council, instead of the Deputy Governor of the National Bank.

The second Vice-Governor shall be appointed as a member of the National Bank Council instead of the member of the National Bank Council who is appointed first, after the expiration of his/her term.

Article 103

The National Bank of the Republic of Macedonia Act ("Official Gazette of RM", No. 26/92, 4/93, 29/93, 78/94 and 37/98) shall no longer be effective, after the adoption of this Law.

Article 104

This Law shall enter into force on the eighth day from the date of its publishing in the "Official Gazette of Republic of Macedonia".