

LAW ON THE NATIONAL BANK OF THE REPUBLIC OF MACEDONIA

I. GENERAL PROVISIONS

Subject of regulation Article 1

This Law shall regulate the organization and operations of the National Bank of the Republic of Macedonia, the task and the competences of the National bank of the Republic of Macedonia as of the date of accession of the Republic of Macedonia to the European Union and the task and the competences of the National bank of the Republic of Macedonia after the introduction of the Euro as the official currency of the Republic of Macedonia.

Legal environment Article 2

- (1) This Law shall supersede any other law.
- (2) When applying this Law, each term not defined by this Law, shall have the meaning as defined by other law.
- (3) If some matter related to the organization and operation of the National Bank of the Republic of Macedonia (hereinafter referred to as the National Bank) is not regulated by this Law, the provisions of other laws that regulate that matter shall apply.
- (4) The provisions of this Law shall not be amended or superseded, in whole or in part, by other laws.

Legal status Article 3

- (1) The National Bank shall be the central bank of the Republic of Macedonia.
- (2) The National Bank shall be a legal entity having administrative, financial and management independence.
- (3) The National Bank shall be entrusted with all powers necessary to achieve the objectives and implement the tasks set out in this Law.

Legal capacity Article 4

The National Bank, as a legal entity, shall have a legal capacity to participate in the legal operations, in particular to:

- 1) enter into contracts;
- 2) institute legal proceedings and be subject to such proceedings; and
- 3) acquire, administer, hold and dispose of, its movable and immovable property.

Independence

Article 5

- (1) In the pursuit of its objectives and the performance of its tasks, the National Bank shall be independent and accountable as provided for in this Law.
- (2) The National Bank, the National Bank Council members or the National Bank staff, shall not seek or take instructions from any government authorities, municipal bodies, bodies of the City of Skopje and any other legal entities and/or natural persons.
- (3) The decisions of the National Bank Council shall not be approved, revoked, annulled or amended by the entities set forth in paragraph (2) of this Article.
- (4) The independence of the National Bank shall be respected at all times and no person or entity set forth in paragraph (2) of this Article shall seek to influence National Bank Council members or the National Bank staff in the performance of their functions, i.e. operations, or to interfere in the activities of the National Bank.

Objectives

Article 6

- (1) The primary objective of the National Bank shall be to achieve and to maintain price stability.
- (2) The other objective of the Bank, subordinated to the primary objective, shall be to contribute to the maintenance of a stable, competitive and market-based financial system.
- (3) The National Bank shall support the general economic policies without endangering the achievement of the objective set forth in paragraph (1) of this Article and in conformity with the principle of open market economy and free competition.

Tasks

Article 7

In order to achieve the objectives set forth in Article 6 of this Law, the National Bank shall:

- 1) design and conduct the monetary policy;
- 2) participate in the determination of the exchange rate regime;
- 3) design and conduct the exchange rate policy;
- 4) hold and manage the official foreign reserves;
- 5) issue and manage the banknotes and coins of the Republic of Macedonia;
- 6) record and monitor the international credit operations and prepare the balance of payments of the Republic of Macedonia;
- 7) collect and produce statistics in pursuance of the tasks as required by the law;
- 8) establish, promote, register and oversee sound, safe and efficient payment, settlement and clearing systems;
- 9) regulate, license, and supervise banks, savings houses, e-money companies and other financial institutions as further specified in this Law or any other law;
- 10) supervise the application of the regulations that govern foreign currency operations, exchange operations, money transfer services and anti-money laundering systems and customer protection, as further specified in the relevant laws;

- 11) act as fiscal agent to the Government of the Republic of Macedonia;
- 12) participate in international institutions and organizations concerning matters that are within its fields of competence;
- 13) organize trading and settlement of securities on the OTC markets and
- 14) carry out any other activities related to the exercise of its tasks under this Law or any other law.

Public interest

Article 8

Stability of the banking system and the measures undertaken for the purpose of attaining and maintaining its stability are of public interest.

Standards of good governance

Article 9

- (1) The National Bank shall use the powers given to it in accordance with good governance practices. The National Bank shall refrain from using any such power to serve an objective for which the power was not given or in excess of what shall be required to achieve the objective for which the power was given.
- (2) The decisions of the National Bank shall be impartial and based only on objective and rational considerations. They shall be executed in fair, indiscriminatory and deliberate fashion.

Head office and seal

Article 10

- (1) The Head Office of the National Bank shall be in Skopje.
- (2) The seal of the National Bank shall bear the name of the National Bank in Macedonian language with Cyrillic letters and the coat of arms of the Republic of Macedonia.

Administrative Procedure

Article 11

- (1) During the procedure for adoption of individual administrative acts which, according to this and other law, are subject to decision of the Governor, the provisions of the Law on General Administrative Procedure shall apply, unless otherwise regulated by this or other law.
- (2) The decisions of the Governor reached in an administrative procedure shall not be subject to appeal. An administrative dispute may be initiated, unless otherwise regulated by this or other law.
- (3) Provisions referred to in paragraph (2) of this Article shall not apply to acts adopted by the Governor of the National Bank in the public procurement procedure.

II. CAPITAL, RESERVES AND PROFITS

Capital Article 12

- (1) The capital of the Bank on the day of entering of this law into effect shall be an amount equivalent to Denar 1,289,789,232.00.
- (2) The capital of the National Bank shall be held solely by the Republic of Macedonia and shall not be transferable or subject to encumbrance.
- (3) The capital of the National Bank may be increased as proposed by the National Bank, with a decision of the Parliament of the Republic of Macedonia.
- (4) The capital of the National Bank shall not be reduced.

Reserves Article 13

- (1) The National Bank shall open and maintain a general reserve and revaluation reserve accounts.
- (2) The general reserve shall be used only for the purposes of covering the National Bank losses.
- (3) The revaluation reserve shall be established based on unrealized income from positions in foreign currencies, gold, financial instruments, and other assets.
- (4) The National Bank may, upon prior approval of the Government of the Republic of Macedonia, open a special reserve account for covering specific anticipated expenditures.

Profits, losses and distributable earnings Article 14

- (1) The net profits or losses of the National Bank shall be determined in conformity with the International Financial Reporting Standards.
- (2) The distributable earnings shall be distributed as specified in Article 15 of this Law, and shall be determined as follows:
 - 1) by deducting from the net profits the total amount of unrealized revaluation income, and by allocating an equivalent amount to the respective unrealized revaluation reserve accounts; and
 - 2) by deducting from the revaluation reserve accounts the amount of any unrealized income that was deducted from the net profits for previous years and was realized during the current financial year, and adding such amount to the distributable earnings as determined in item 1) of this paragraph.
- (3) Unrealized revaluation expenses shall be covered by the respective revaluation reserve accounts until these accounts reduce to a zero balance, after which these expenses shall be covered by:
 - 1) the current year's profit;
 - 2) the general reserve account and
 - 3) the capital.

Allocation of distributable earnings

Article 15

- (1) Within four months after the end of the financial year, the National Bank Council shall allocate the distributable earnings as follows:
 - 1) an amount equivalent to 70 percent of the general reserve until reaching the level of the core capital under Article 12 paragraph (1) of this Law, i.e. 15 percent after reaching the level of the core capital as per Article 12 paragraph (1) of this Law, and.
 - 2) any remaining account of the State Budget.
- (2) The National Bank income shall be distributed only as permitted by paragraph (1) of this Article.
- (3) If in any financial year the National Bank incurs negative distributable earnings, these earnings shall first be charged to the general reserve account, and subsequently to the capital.

Coverage of shortfall in capital

Article 16

- (1) In the event that in the audited annual financial statements of the National Bank, the value of its assets falls below the sum of its liabilities and capital, the National Bank, with the advice of the external auditor, shall assess the situation and prepare a report on the causes and extent of the shortfall in capital, within a period of no more than 30 calendar days upon the receipt of advice.
- (2) In the event that the National Bank Council approves the report under paragraph (1) of this Article, the National Bank shall require from the Government of the Republic of Macedonia to remedy such shortfall in capital.
- (3) Upon receipt of this requirement the Government of the Republic of Macedonia shall, within a period of no more than 60 calendar days, transfer to the National Bank the necessary amount in currency or in negotiable debt securities with a specified maturity issued at market-based interest rates prevailing in the Republic of Macedonia.

Opening of accounts

Article 17

- (1) For the purposes of conducting its activities, the National Bank may open and maintain accounts, including securities accounts of:
 - 1) banks, savings houses, brokerage houses, government authorities and state-founded public entities, and
 - 2) foreign banks, foreign central banks, international financial institutions and, where appropriate, foreign governments, international organizations and donor organizations.
- (2) The National Bank shall not open accounts for natural persons and legal entities, except for those referred to in paragraph (1) of this Article.
- (3) The National Bank may open and maintain accounts with money-deposit institutions and with foreign central banks, foreign banks, and international financial institutions.
- (4) The National Bank Council shall prescribe the general conditions for opening accounts referred to in paragraph (1) of this Article.

Custodial facilities
Article 18

- (1) The National Bank may, upon payment of reasonable fees to cover its costs, provide custodial facilities to financial institutions, including pension funds.
- (2) The National Bank Council shall prescribe the conditions for providing custodial facilities.

III. MONETARY AND OTHER CREDIT OPERATIONS

Open market and credit operations
Article 19

The National Bank may, in order to achieve the objectives and to carry out its tasks:

- 1) operate in the financial markets by issuing securities for monetary purposes, buying and selling outright (spot or forward) or under repurchase agreement and by lending or borrowing claims and marketable instruments, as well as precious metals; and
- 2) conduct credit operations with banks operating in the Republic of Macedonia, with lending based on adequate collateral.

The National Bank Council shall specify the general conditions and rules for conducting credit operations referred to in paragraph (1) of this Article.

Reserve requirement
Article 20

- 1) The National Bank may require banks, foreign bank branches and savings houses to hold reserve requirement on accounts with the National Bank in pursuance of its objectives of monetary policy. This reserve requirement shall be the same for each category of liabilities on the level of banks, saving houses and foreign banks branches, separately. The National Bank may pay reserve requirement remuneration.
- 2) The National Bank Council shall establish the conditions, base and percentage for calculation of the reserve requirement, and the manner and deadlines for allocating and maintaining reserve requirement.
- 3) In cases of noncompliance with the requirements specified under paragraph (1) of this Article, the National Bank shall be entitled to levy penalty interest or impose other measures in accordance with a law.

Other monetary policy instruments
Article 21

The National Bank Council may decide with 2/3 majority of the total number of Council members upon the use of other monetary policy instruments which it considers appropriate for achieving the objectives set forth in Article 6 of this Law.

**Lender of last resort
Article 22**

- (1) In exceptional circumstances, the National Bank may, on such terms and conditions as the National Bank Council determines, act as lender of last resort for the banks in the Republic of Macedonia. The National Bank shall approve credits of last resort to the bank, or for the bank's benefit, for periods not exceeding 90 calendar days that may be renewed for period of maximum 90 days, on the basis of a program specifying the measures that the bank concerned will be taking.
- (2) The National Bank shall provide credit of last resort only if:
 - 1) the bank, in the opinion of the National Bank, is solvent;
 - 2) the credit is approved for the purposes of improving liquidity and
 - 3) the bank provides adequate collateral.
- (3) The National Bank Council shall determine the categories and the value of the collateral set forth in paragraph (2) item 3 of this Article.
- (4) If the National Bank discovers that the concerned bank was unable to carry out the approved program as mentioned in paragraph (1), the National Bank shall take appropriate measures in accordance with the Banking Law.

IV. FOREIGN EXCHANGE REGIME AND FOREIGN RESERVES

**Exchange regime
Article 23**

The exchange rate regime shall be jointly agreed between the Government of the Republic of Macedonia and the National Bank, without prejudice to its primary objective to achieve and to maintain price stability.

**Portfolio composition of official foreign reserves
Article 24**

- (1) The National Bank shall conduct transactions in foreign assets and manage all foreign reserves consistent with international best practices and subject to its objective to achieve and to maintain the price stability, upholding safety, liquidity and profitability principles.
- (2) The National Bank may hold in its portfolio of foreign assets any or all of the following categories of assets:
 - 1) gold and other precious metals held by or for the account of the National Bank, including balances on account representing such gold and other precious metals;
 - 2) banknotes and coins denominated in freely convertible foreign currencies held by or for the account of the National Bank;
 - 3) claims and interbank deposits that are payable on demand or within a short term denominated in freely convertible foreign currency and are held in the accounts of the National Bank, with foreign central banks, foreign financial institutions or international financial institutions;
 - 4) readily-marketable debt securities denominated in freely convertible foreign currencies issued by, or bearing the full faith and credit of, foreign governments,

- foreign central banks, foreign financial institutions or international financial institutions;
- 5) claims on international financial institutions resulting from repurchase, sale and buy back, and securities lending agreements for the debt securities set forth in item 4 of this paragraph;
 - 6) equity holdings in international financial institutions;
 - 7) special drawing rights held in the account of the Republic of Macedonia in the International Monetary Fund; and
 - 8) the reserve position of the Republic of Macedonia in the International Monetary Fund.

V. BANKNOTES AND COINS

Issuance of banknotes and coins

Article 25

- (1) The National Bank shall have the exclusive right to issue banknotes and coins.
- (2) Only banknotes and coins issued by the National Bank that have not been withdrawn from circulation shall be legal tender in the Republic of Macedonia.
- (3) The National Bank shall determine the face value, size, weights, designs, and the security and other features of the banknotes and coins that are issued in the Republic of Macedonia.
- (4) The National Bank shall be responsible for the supply of banknotes and coins as a legal tender in the Republic of Macedonia.
- (5) The aggregate amount of circulating banknotes and coins issued by the National Bank shall be noted in the financial statements of the National Bank as a liability. Such liability shall not include banknotes and coins in the currency reserve inventory held by, or on behalf of, the National Bank.
- (6) The National Bank shall determine the lowest denomination in circulation for rounding up the final settlement in payment transactions involving cash and noncash payments and in business books.

Unfit banknotes and coins

Article 26

- (1) Unfit banknotes and coins shall be withdrawn, replaced, and destroyed by the National Bank.
- (2) The National Bank may decline to exchange banknotes or coins if their designs are damaged, misshaped or perforated, or if more than forty percent of their surface has been lost. Such banknote or coin shall be withdrawn and destroyed without indemnity to the owner, unless there is evidence that the missing portions have been totally destroyed, in which case the National Bank may grant compensation in whole or in part.
- (3) The National Bank shall not be required to provide any compensation for banknotes or coins that are lost, stolen or destroyed.
- (4) The National Bank may confiscate without compensation any banknotes that have been altered in their external appearance, including in particular banknotes that have been written on, painted on, stamped or perforated, or to which adhesive

substance has been applied.

Withdrawal and replacement of banknotes and coins

Article 27

- (1) The National Bank may decide to withdraw banknotes or coins by issuing, free of charge, other banknotes or coins in equivalent amounts.
- (2) A decision to withdraw banknotes or coins shall be issued by the National Bank Council specifying the period during which the exchange shall take place and the locations and times at which withdrawn banknotes or coins shall be replaced.
- (3) The National Bank Council shall determine the date when withdrawn banknotes and coins shall cease to be legal tender.

Banknote and coin reserve inventory and issue plan

Article 28

The National Bank shall administer a banknote and coin reserve inventory, make issue plans, and ensure regular supply of banknotes and coins, in order to meet the needs of the Republic of Macedonia for banknotes and coins.

Counterfeit banknotes and coins

Article 29

- (1) Banknotes and coins presented to financial institutions denominated in legal tender, whether in the Republic of Macedonia or abroad, which are suspected of being forgeries, must be withdrawn as specified in the procedure defined by the National Bank Council.
- (2) The National Bank shall be exclusively entitled to provide expert opinion on the authenticity of the banknotes and coins denominated in Denars or in foreign currency.
- (3) The National Bank shall seize all notes presented to it which are suspected of being counterfeited. The National Bank shall submit a written notification to the Ministry of Interior indicating the identification of the notes, their bearer, and the National Bank's grounds for suspicion.

Reproductions of banknotes and coins

Article 30

- (1) Any reproduction of banknotes or coins that are legal tender in the Republic of Macedonia and the creation of any objects that by their design imitate any such banknote or coin shall require the prior written authorization of the National Bank.
- (2) The National Bank Council shall specify the manner and procedure authorizing the publication of photographs of currency.

VI. PAYMENT SYSTEMS, SUPERVISION, STATISTICS AND OTHER FINANCIAL SYSTEM TASKS

1. Payment systems

Payment, settlement and clearing systems

Article 31

- (1) The National Bank shall provide conditions to ensure safe, sound and efficient operations of the payment, settlement and clearing systems.
- (2) The National Bank is authorized to organize, participate in and operate payment, settlement and clearing systems

Regulation, Registration and Oversight

Article 32

The National Bank shall be exclusively responsible for the regulation, registration and oversight, including the imposition of measures and sanctions of payment, settlement and clearing systems in accordance with the Law on Payment Operations.

Payment system activities

Article 33

The National Bank may undertake activities to facilitate:

- 1) the integration of its payment and settlement system and other systems in accordance with the Law on Payment Operations;
- 2) the development of new methods and technologies for payments and settlements and
- 3) the design and periodic modification of a plan for evolution of the payment system of the Republic of Macedonia.

2. Supervision

Supervisory tasks

Article 34

- (1) The National Bank shall be responsible for the supervision, including the imposition of measures and misdemeanor sanctions, of banks, savings houses, e-money companies and other financial institutions, in accordance with this and other laws.
- (2) In carrying out its supervisory tasks as laid down in paragraph (1) of this Article, the National Bank may co-operate with other regulatory and supervisory authorities, both in the Republic of Macedonia and abroad.
- (3) The National Bank may exchange confidential information with other domestic or foreign supervisory authorities, which will be used only for supervisory purposes and shall be treated as confidential by the receiving party.
- (4) The National Bank may approve on-site examination of a foreign bank subsidiary and a foreign bank branch in the Republic of Macedonia conducted by supervisory bodies of the home country of the foreign bank. A copy of the supervision report shall be required to be submitted to the National Bank within two months upon completion of the supervision.

- (5) The supervisory report under paragraph (4) of this Article shall be considered classified information with respective confidentiality level as specified by the regulations for protection of classified information.

3. Statistics

Statistics and information

Article 35

In pursuance of its objectives and tasks, the National Bank shall:

- 1) collect, process, analyze, abstract and disclose statistics and information relevant to the carrying out of its tasks;
- 2) define the natural persons and legal entities subject to reporting requirements;
- 3) define the statistics and information to be submitted to the National Bank and the implementation of confidentiality rules;
- 4) collaborate with governmental departments, public enterprises, public institutions and companies founded by the state or where the state is a dominant shareholder, in the collection, processing, and disclosure of statistics and other relevant information and
- 5) cooperate with international financial and other institutions in respect of the adoption of international data dissemination standards with the aim of achieving consistency and efficiency in the collection, processing and disclosure of statistics and information.

Submission of statistics and information

Article 36

- (1) The institutions mentioned in Article 35, item 2 of this Law, shall submit to the National Bank statistics and information.
- (2) The National Bank Council shall determine the manner, the form and the deadlines for submission of statistics and information under paragraph (1) of this Article.

Availability of statistics and information

Article 37

The National Bank shall ensure availability by posting on its website or otherwise:

- 1) statistics and information subject to the regulations on confidentiality
- 2) methodology and concepts applied when collecting and processing statistics and information that will allow verification of the statistics produced by the National Bank.

4. Other financial system tasks

Financial stability

Article 38

- (1) In pursuance of its objective to contribute to maintenance of a stable, competitive and market-based financial system, National Bank shall collect relevant data from

other financial supervisory authorities, public enterprises, public institutions and companies founded by the state or where the state is a dominant shareholder, on a regular base.

- (2) Based on the collected data, under paragraph (1) of this Article, the National Bank shall prepare periodical publications related to the financial system stability.

Credit registry Article 39

- (1) The National Bank shall establish and maintain a Credit Registry in electronic form of the credit exposure of legal entities and natural persons to banks and savings houses founded in the Republic of Macedonia.
- (2) Banks and savings houses shall be required to submit data and information needed for the purposes of the Credit Registry to the National Bank
- (3) The type, the manner and the deadlines for submitting the data and the information under paragraph (2) of this Article shall be prescribed by the National Bank Council.
- (4) 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 Council and shall be deemed as classified data.
- (5) The information collected for the purposes of the Credit Registry shall be used only for the purpose of improving the credit quality.

VII. RELATIONS WITH THE PARLIAMENT OF THE REPUBLIC OF MACEDONIA, THE GOVERNMENT OF THE REPUBLIC OF MACEDONIA AND OTHER INSTITUTIONS

Relationship with the Parliament of the Republic of Macedonia Article 40

- (1) The National Bank Council and each of its members shall be accountable to the Parliament of the Republic of Macedonia for the achievement and maintenance of price stability and for performance the tasks of the National Bank stipulated by this Law.
- (2) The Governor of the National Bank may, at the request of the Parliament of the Republic of Macedonia, or on his own initiative, periodically speak in the Parliament or its committees, concerning monetary policy and financial system issues and the state of the economy.
- (3) The National Bank may submit opinions to the Parliament of the Republic of Macedonia concerning any draft laws related to the objectives and tasks of the National Bank.

Banker, financial adviser, fiscal agent Article 41

- (1) The National Bank shall perform banking activities for the needs of the Government of the Republic of Macedonia.
- (2) The National Bank shall act as a financial adviser to the Government of the

Republic of Macedonia, upon its request.

- (3) The National Bank may, on behalf of the Government of the Republic of Macedonia, receive foreign borrowings, manage and administer, as well as settle external claims and financial liabilities of the Republic of Macedonia.
- (4) The National Bank may, on such terms and conditions as it shall agree with the Government of the Republic of Macedonia, act as a fiscal agent to the Government of the Republic of Macedonia.
- (5) The National Bank may accept deposits from the Government of the Republic of Macedonia or any other public agency. As a money-deposit institution, the National Bank shall receive and disburse money from accounts and provide other financial services related thereto.
- (6) The National Bank may pay interest on the deposits under paragraph (5) of this Article at rates that not exceed the market interest rates.
- (7) The National Bank shall pay to the limits of the deposited amounts against payment orders concerning such accounts.

Issuance of jubilee coins **Article 42**

The National Bank shall issue jubilee coins based on decision of the Government of Republic of Macedonia according to the Law on Jubilee Coins.

Cooperation with the Government of the Republic of Macedonia **Article 43**

- (1) The National Bank shall cooperate with the Government of the Republic of Macedonia in pursuing its objectives defined by this Law.
- (2) The Governor and the Minister of Finance shall hold regular joint meetings on monetary and fiscal policies and shall keep one another informed of all matters of mutual interest.
- (3) The National Bank may render opinion to the Government of the Republic of Macedonia on any matter related to the main objective and tasks of the National Bank.
- (4) The National Bank and the Government of the Republic of Macedonia may exchange information for the purpose of carrying out the tasks of the National Bank, with the exception of specific information relating to entities subject to supervision.
- (5) The National Bank shall, on request of the Government of the Republic of Macedonia and only for information, provide data on the receipt by the National Bank of funds from any source.
- (6) The National Bank shall be consulted by the Government of the Republic of Macedonia in the process of developing any regulation concerning matters that relate to the objectives, tasks and competences of the National Bank, regulated by this or any other law.

Prohibition on lending **Article 44**

- (1) The National Bank shall not grant, directly or indirectly, credits to the Government of

the Republic of Macedonia or any other government authority, public enterprise, public institutions, companies founded by the state or where the state is a dominant shareholder, municipality authorities, municipalities of the City of Skopje and the City of Skopje, with the exception of intra-day credits to the Government of the Republic of Macedonia, to secure smooth functioning of the payment system. Such intra-day credit shall be guaranteed by negotiable government securities and shall be fully repaid before the end of the same day.

- (2) The provisions of paragraph (1) shall not apply to state-owned banks and other supervised state-owned entities, which shall be given the same treatment as privately-owned banks and other supervised privately-owned entities.
- (3) The National Bank may purchase government securities provided that such purchases are only made in the secondary market.

Prohibition on privileged access

Article 45

- (1) Any measure, not based on prudential considerations, that ensures privileged access for the Government of the Republic of Macedonia, any other government authority, public enterprises, public institutions, companies founded by the state or where the state is a dominant shareholder, municipality authorities, municipalities of the City of Skopje and the City of Skopje, to financial institutions shall be prohibited.
- (2) The Government of the Republic of Macedonia shall lay down definitions for the application of the prohibition referred to in paragraph (1) of this Article.

VIII. GOVERNANCE AND ORGANIZATION

1. Governance

Governing body

Article 46

- (1) The National Bank Council shall be the governing body of the National Bank.
- (2) The National Bank Council shall comprise of nine members, out of which one is the Governor and three Vice Governors as executive members and five nonexecutive members.
- (3) The National Bank Council shall be charged with the formulation and the supervision of the implementation of the policies, and the supervision of the operations of the National Bank.
- (4) The Governor of the National Bank shall be the Chairperson of the National Bank Council and shall serve as the chief executive of the National Bank in charge of its day-to-day operations.
- (5) The Vice Governors shall assist the Governor in conducting the day-to-day operations.
- (6) The nonexecutive members shall take part in the decision-making of the National Bank Council.

Powers and tasks of the National Bank Council

Article 47

- (1) The National Bank Council shall have the following powers and tasks:
- 1) define and adopt the monetary policy and the exchange rate policy of the National Bank;
 - 2) define the exchange rate regime in accordance with Article 23, of this Law;
 - 3) formulate and adopt the policies of the National Bank regarding the execution of its tasks, and adopt, as appropriate, internal rules for their implementation;
 - 4) prescribe the Chart of Accounts for banks in accordance with the law;
 - 5) supervise the implementation of the policies and the execution of the tasks of the National Bank;
 - 6) adopt the bylaws issued by the National Bank;
 - 7) adopt the Statute of the National Bank;
 - 8) adopt the Code of Ethics of the members of the National Bank Council and the staff;
 - 9) determine the general policies and internal rules applicable to the operations of the National Bank;
 - 10) determine internal rules on the application of the conflict of interest provisions;
 - 11) determine the organization of the National Bank, including the establishment and location of branches, representative offices, and other organizational units;
 - 12) appoint the Chief Internal Auditor, on a proposal of the Governor of the National Bank;
 - 13) determine the general terms and conditions of employment of the staff, including allowances and other benefits, on a proposal of the Governor, as specified by the law and the Labor Agreement;
 - 14) approve the annual budget of the National Bank;
 - 15) determine the accounting policies of the National Bank and to approve the reports referred to in Article 62 of this Law, and financial statements of the National Bank;
 - 16) elects the external auditors of the National Bank;
 - 17) decide on the incurring of debt of the National Bank and the terms and conditions of such debt;
 - 18) determine the categories of assets as mentioned in Article 24 paragraph (2) of this Law, that shall constitute the foreign reserves of the Republic of Macedonia;
 - 19) determine the categories of assets that shall be suitable for investment of the National Bank's financial resources;
 - 20) determine denominations and design of banknotes, coins and their issuance.
 - 21) appoint one or more committees and define their tasks and activities;
 - 22) assess risks and formulate contingency plans for the ongoing operations and security of the National Bank;
 - 23) adopt the rules of procedure of the National Bank Council and
 - 24) exercise such other powers and tasks as explicitly granted by this Law.
- (2) In the execution of their powers and tasks the members of the National Bank Council shall act solely in the interest of the objectives and tasks of the National Bank.

Powers and tasks of the Governor **Article 48**

- (1) The Governor shall have the following powers and tasks:
- 1) represent the National Bank;

- 2) implement the monetary and exchange rate policy and other policies in accordance with the internal rules and decisions of the National Bank Council.
 - 3) make sure that the decisions of the National Bank Council are being executed and the National Bank management and operations are under control.
 - 4) register the payment, settlement and clearing systems, in accordance with the Law on Payment Operations;
 - 5) decide upon the issuance of licenses and approvals to financial institutions and revoke the issued licenses and approvals, in accordance with Law;
 - 6) enforce measures to banks and other financial institutions subject to supervision of the National Bank, or to the payment, settlement and clearing systems, in accordance with this or the respective laws;
 - 7) conduct other operations that are not defined as duties of the National Bank Council by this Law.
- (2) Within the limitations of his powers, the Governor shall have the authority to take all actions required or deemed advisable for the administration and operations of the National Bank, including procurement of goods and services, entering into contractual commitments on behalf of the National Bank and employment, and appointing agents of the National Bank.
 - (3) The Governor may appoint one or more advisory bodies on issues concerning its competence;
 - (4) The Governor may, within the rules adopted by the National Bank Council, delegate any of his powers or tasks to other members of the National Bank Council or to the staff with special authorizations and responsibilities in the National Bank.
 - (5) The Governor shall regularly inform the National Bank Council on the conduct of the National Bank's operations and policies, and on the issues related to the soundness of the banking system, and on the state of the money and foreign exchange markets, including all events that have or are expected to have a significant effect on the administration of the National Bank, on the conduct of its policies, on the financial system, or on the money and foreign exchange markets.
 - (6) The Governor shall determine in advance the order in which the Vice Governors shall succeed the Governor during any period of the Governor's absence or disability.

Appointment Article 49

- (1) Members of the National Bank Council shall be appointed for a seven year term that may be renewed.
- (2) The Governor shall be appointed by the Parliament of the Republic of Macedonia, on a proposal of the President of the Republic of Macedonia.
- (3) The Vice Governors shall be appointed by the Parliament of the Republic of Macedonia, on a proposal of the Governor.
- (4) The nonexecutive members of the National Bank Council shall be appointed by the Parliament of the Republic of Macedonia, on a proposal of the Government of the Republic of Macedonia.

Eligibility to serve on the National Bank Council Article 50

- (1) Persons eligible to serve on the National Bank Council shall be citizens of the Republic of Macedonia who have recognized reputation, who hold at least university degree and who have extensive professional or academic experience in the fields of economics, finance, banking, or legal matters.
- (2) A member of the National Bank Council may not be a person who:
 - 1) has been convicted of a felony which carries a sentence of imprisonment or fine;
 - 2) has been a debtor in a bankruptcy or insolvency proceeding;
 - 3) has been sentenced with misdemeanor sanction - ban on performing a profession, activity or duty and
 - 4) has been sentenced with auxiliary penalty - ban on acquiring a license for founding and operating a bank or other financial institution, revoking the license for founding and operating a bank or other financial institution, ban on establishing new legal entities and temporary or permanent ban on performing activities in the field of finance and banking.
- (3) The Governor and the Vice Governor of the National Bank shall be professionally engaged at the National Bank, and shall not be engaged in any other occupation, whether gainful or not, except as a university professor or engagement in a scientific research institution, or a temporary arrangement in international financial institution, must not be owners of five percent or more of an equity interest in a financial institution in the Republic of Macedonia and during its term must not be members of political party or trade union.
- (4) A nonexecutive member shall not serve on the National Bank Council while he is a member of the Parliament of the Republic of Macedonia or of the Government of the Republic of Macedonia, employed at government or local authorities, agencies, funds, public enterprises, public institutions, companies founded by the state or where the state is a dominant shareholder, employee of a financial institution in the Republic of Macedonia, holder of five percent or more of an equity interest in a financial institution in the Republic of Macedonia, member of the managing or supervisory board of a bank, savings house or other trading company that may have a conflict of interest with the National Bank, as well as a member of the political parties' and trade unions' bodies. .
- (5) By way of derogation from paragraph (4) of this Article, a nonexecutive member may be a university professor or person employed in a scientific research institution.
- (6) Members of the National Bank Council shall, immediately after being appointed on this function, comply with the provisions of paragraph (4) of this Article.

Termination of term of office

Article 51

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

- 1) after the expiry of the term of office;
- 2) in case of death;
- 3) in case of their resignation or
- 4) in case of dismissal.

Resignation

Article 52

- (1) The Governor and the Vice Governors may resign from office on giving not less

- than three months' notice in writing to the Parliament of the Republic of Macedonia.
- (2) The nonexecutive members of the National Bank Council may resign from office by giving not less than one month's notice in writing to the Parliament of the Republic of Macedonia.

Dismissal Article 53

- (1) Member of the National Bank Council shall be relieved from office only and when that member:
- 1) becomes ineligible to serve on the National Bank Council pursuant to Article 50; or
 - 2) abuses, or makes serious misconduct in, the official duty, or
 - 3) is unable to perform the tasks of such an office because of an infirmity of body or mind that has lasted for more than three months; or
 - 4) fails to perform their duties for a consecutive period of more than three months without approval of the National Bank Council.
- (2) A decision to relieve a member of the National Bank Council from office shall be taken by the Parliament of the Republic of Macedonia:
- 1) either on a recommendation from the National Bank Council, or on a recommendation from the President of the Republic of Macedonia and after consulting the National Bank Council, if the decision concerns the Governor, or
 - 2) either on a recommendation from the National Bank Council, or on a recommendation from the Governor and after consulting the National Bank Council, if the decision concerns a Vice Governor or
 - 3) on a recommendation of the National Bank Council or on a recommendation of the Governor and after consulting the National Bank Council or on a recommendation from the Government of Republic of Macedonia and after consulting the Governor if the decision concerns a nonexecutive member of the National Bank Council.
- (3) Decisions of the National Bank Council pursuant to paragraph (2) of this Article require a majority of the members of the National Bank Council.
- (4) A member of the National Bank Council relieved from office shall have a right of appeal to the Court within 15 calendar days of the date of the decision to remove that member from office.

Subsequent functions Article 54

- (1) Former members of the National Bank Council shall not serve in a professional capacity in a bank or other financial institution in the Republic of Macedonia during a period of one year immediately following the end of their term of office.
- (2) The former members of the National Bank Council referred to in paragraph (1) of this Article shall be eligible to a remuneration set out by the National Bank Council to their employment, not more than a year after the end of their term of office.
- (3) Paragraph (2) of this Article shall not apply in the case when the member of the National Bank Council was relieved from office pursuant to Article 53 paragraph (1) items 1, 2 and 4 of this Law.

Vacancy on the National Bank Council Article 55

Any vacancy on the National Bank Council shall be filled within 60 calendar days by the appointment of a new member of the National Bank Council for a seven year term.

2. Meetings and proceedings of the National Bank Council
Meetings of the National Bank Council
Article 56

- (1) The National Bank Council shall meet as often as the business of the National Bank may require but not less frequently than ten times per calendar year.
- (2) Third parties may attend the meetings of the National Bank Council only upon invitation.
- (3) A quorum shall be required for the conduct of business and decision-making of the National Bank Council at any meeting, consisting of at least two thirds of the members of the National Bank Council, including the Governor or, in his absence, a Vice Governor acting as chairperson in accordance with the decision under Article 48, paragraph (6) of this Law. If the quorum is not met, the Governor may convene an extraordinary meeting at which decisions may be taken without regard to the quorum that should be approved in the next regular meeting of the National Bank Council.
- (4) Each member of the National Bank Council shall have one vote and in the event of a tied vote, the Chairperson shall have the casting vote.
- (5) Save as otherwise provided for in this Law, decisions of the National Bank Council shall be adopted by a simple majority of the members present at the meeting.
- (6) The Rules of Procedure of the National Bank Council specifies the cases when it could be permitted meetings and voting by teleconferencing or, in exceptional circumstances, by the means of telex or other tested electronic means of telecommunication.
- (7) Subject to the quorum requirement of paragraph (3), no document or proceeding of the National Bank Council shall be invalidated merely by reason of the existence of a vacancy on the National Bank Council.

Proceedings
Article 57

- (1) The proceedings of the meetings of the National Bank Council shall be classified information with respective level of confidentiality, as defined by the regulation for protection of classified information.
- (2) The proceedings of each National Bank Council meeting shall be signed by the person chairing the meeting and the Secretary of the National Bank Council.
- (3) The Secretary of the National Bank Council shall be appointed by the Governor, from among the staff with special authorizations and responsibilities of the Bank.

4. National Bank Staff

Labor relations
Article 58

- (1) The regulation governing labor relations shall apply to the employees, Governor,

Vice Governors and the persons having special authorizations, unless otherwise prescribed by this Law.

- (2) The National Bank staff shall be professionally engaged at the National Bank, to the Bank, and may have other employment engagement, subject to approval by the Governor, unless in conflict with the interest of the National Bank.
- (3) When recruiting staff, the National Bank shall apply nondiscriminatory personnel policies, by ethnic, religious and other grounds.
- (4) The person, having special authorizations, in charge of the bank supervision in the National Bank, in a period of two years after their departure from the National Bank, cannot be professionally engaged in a bank or other financial institution in Republic of Macedonia.

Employment and Termination

Article 59

The Governor shall decide upon the appointment and termination of employments in the National Bank and for other matters related to the employments, which are not in the competence of the National Bank Council.

IX. FINANCIAL STATEMENTS AND AUDIT

Accounting practices and policies

Article 60

- (1) To the extent possible to achieve its objectives referred to in Article 6, paragraphs (1) and (2) of this Law, the National Bank shall maintain accounting records in accordance with the International Financial Reporting Standards.
- (2) The financial year of the National Bank begins on January 1 and ends on December 31 of the same year.

Financial statements

Article 61

- (1) The National Bank shall prepare financial statements for its financial year.
- (2) Within four months after the end of each financial year, the National Bank shall submit to the Minister of Finance, to the Parliament of the Republic of Macedonia, to the President of the Republic of Macedonia, and the Prime Minister of the Republic of Macedonia, financial statements, approved by the National Bank Council, signed by the Governor and certified by the external auditor.
- (3) The National Bank shall publish the financial statements referred to in paragraph (2) of this Article in the Official Gazette of the Republic of Macedonia and on its website.
- (4) The National Bank shall, within ten working days after the end of each calendar month, prepare and publish a balance sheet as of the end of that month and submit it to the Minister of Finance.

Other reports

Article 62

- (1) The National Bank shall, at a minimum twice a year, and when necessary, inform the Parliament of the Republic of Macedonia and the public, on its monetary policy, the achievement of its objectives and its vision on the real variables of the economy.
- (2) The National Bank shall, within four months after the end of its fiscal year, submit to the Parliament of the Republic of Macedonia and the Minister of Finance and publish one or more reports, approved by the National Bank Council, on the state of the economy during the financial year that just ended, including an outlook for the economy for the coming year, with emphasis on its policy objectives and the condition of the banking system of the Republic of Macedonia. The report should also include a review and assessment of the National Bank's policies conducted in the last financial year and a description and explanation of the National Bank's policies to be conducted during the next financial year.
- (3) The National Bank shall publish quarterly reports on monetary policy on its website and/or otherwise, as determined by the Governor of the National Bank.
- (4) The National Bank shall publish a financial stability report for the previous year on its website and/or otherwise, as determined by the Governor of the National Bank.

Internal Audit

Article 63

- (1) The National Bank shall establish internal audit as a special organizational unit directly accountable to the Governor.
- (2) Internal audit shall carry out permanent audit of the overall activities of the National Bank by assessing the adequacy of the internal control systems and the effectiveness of the risk management systems. These activities shall include:
 - 1) the review and recommendation to the National Bank Council of procedures and practices for proper risk management and permanent supervision of their implementation;
 - 2) the performance of periodic audits of the application of regulations during the National Bank activities;
 - 3) the review of the periodic financial statements referred to in Article 61, paragraphs (2) and (4) of this Law;
 - 4) the preparation and delivery to the National Bank Council, at least twice a year and whenever deemed appropriate by the Governor or other member of the National Bank Council, of reports and recommendations regarding the financial statements and records, the budgetary and accounting procedures, risk management, the efficiency and cost effectiveness at which the National Bank operates, and any other matter within its competence;
 - 5) the preparation and delivery of report on the internal audit activities to the National Bank Council, at least once a year, and
 - 6) any other assignment that may be given by the National Bank Council.
- (3) The reports of the internal audit shall be submitted to the Governor. The findings and the recommendations comprised in the reports of the internal audit shall be a basis for undertaking appropriate measures by the Governor for elimination of identified irregularities and weaknesses.
- (4) The internal audit unit shall cooperate with the external auditors of the National Bank.

Appointment of Chief Internal Auditor

Article 64

- (1) A Chief Internal Auditor of the National Bank shall be appointed by the National Bank Council, on a proposal from the Governor.
- (2) The Chief Internal Auditor shall be a person who fulfills the eligibility criteria of Article 50 of this Law to become a member of the National Bank Council, with professional experience in the field of accounting and/or audit of at least three years.
- (3) The Chief Internal Auditor shall be appointed for a term of five years, which may be renewed.
- (4) The Chief Internal Auditor may resign from office on giving not less than three months notice to the Governor.
- (5) The Chief Internal Auditor shall be relieved from office only and when the grounds set out in Article 53, paragraph (1), apply. Decision on relieving from office shall be adopted by the National Bank Council.

External audit

Article 65

- (1) The financial statements of the National Bank shall at least once a year be audited in conformity with International Standards on Auditing by independent external auditors which shall be of good repute and with recognized international experience in the auditing of financial institutions.
- (2) Auditing set out in paragraph (1) of this Article shall be at National Bank expense.
- (3) The external auditors shall be appointed by the National Bank Council, on the basis of the Law on Public Procurements.
- (4) The Parliament of the Republic of Macedonia may, on a proposal from the Minister of Finance, at any time, with reasonable cause, request an external audit of the Bank by the external auditor referred to in paragraph (1) of this Article. The auditor's report shall be submitted to the Parliament of the Republic of Macedonia for information.
- (5) Auditing set out in paragraph (4) of this Article shall be at the State Budget expense.
- (6) The external auditor shall report to the National Bank Council on key matters arising from the audit and in particular on weaknesses in the internal control arising from the financial reporting.
- (7) The external auditors shall have full power to examine all accounting records of the National Bank and obtain all information about its transactions.
- (8) No external auditor shall be appointed consecutively for a cumulative period exceeding five years.

Budget

Article 66

- (1) The National Bank Council shall adopt its annual budget prior to the commencement of each financial year. The budget shall be communicated to the Parliament of the Republic of Macedonia for information.
- (2) All projected revenue and income generated by the National Bank from any source together with projected expenditure, including depreciation and provisions, shall be

reported in the annual budget of the National Bank. The National Bank annual budget shall not include, in the National Bank balance sheet, any unrealized price and foreign exchange revenues and expenditures.

State audits Article 67

- (1) Without prejudice to the independence of the National Bank and independently from the external auditors' activities referred to in Article 65 paragraph (1) of this Law, the State Audit Office may perform audit with regard of investment costs and operating costs and shall prepare report, submitting it to the Parliament of the Republic of Macedonia.
- (2) The State Audit Office shall submit to the National Bank, copies of its reports submitted to the Parliament of the Republic of Macedonia.

X. GENERAL PROVISIONS

Bylaws and other acts Article 68

- (1) The National Bank shall adopt bylaws and other acts necessary for achieving the objectives and carrying out the tasks entrusted to the National Bank under this Law or any other law.
- (2) All National Bank acts that have general application shall be adopted in the form of Decisions.
- (3) With a view to implementing decisions that have general application, the National Bank may issue Instructions.
- (4) The National Bank may issue, to banks and other entities, nonbinding Circulars on the general rules and trends related to the National Bank responsibilities and activities.

Publishing bylaws Article 69

- (1) Decisions and instructions as per Article 68 of this law that have general application shall be published in the "Official Gazette of the Republic of Macedonia".
- (2) The National Bank may publish the legal acts under paragraph (1) on its website.
- (3) The National Bank may publish, on its web, its legal acts that do not have general application.

Conflict of interest and fiduciary duty Article 70

- (1) Members of the National Bank Council and staff shall avoid any situation liable to give rise to a conflict of interest. A conflict of interest arises where members of the National Bank Council or staff have private or personal interests, which may

- influence or may influence the objective performance of their duties. Private or personal interests of members of the National Bank Council or staff mean any potential advantage for themselves, their families, their other relatives up to the second degree,
- (2) No member of the National Bank Council and staff shall receive or accept from any source any benefits, rewards, remuneration or gifts of any source, whether financial or nonfinancial, for their activities within the Bank.
 - (3) A breach of paragraph (2) of this Article by staff shall constitute a serious breach of the rules, and may at the discretion of the Governor constitute grounds for disciplinary measures, including dismissal.
 - (4) Members of the National Bank Council and staff shall not use confidential information to which they have access for the purpose of carrying out private financial transactions, whether directly or indirectly via third parties or whether conducted at their own risk and for their own account, or at their own risk and for the account of and at the risk of a third party.
 - (5) Members of the National Bank Council shall, before the last day of January each year, disclose to the National Bank Council in full significant financial interests which they or any person with whom they have family, business, or financial connections may directly or indirectly possess and such disclosures shall comply with the internal rules adopted by the National Bank Council.
 - (6) Member of the National Bank Council, who, prior to the beginning of the discussion, discloses any such conflict of interest, shall not participate in the discussion and shall not have the right to vote, however, their presence shall be counted for the purpose of constituting a quorum.
 - (7) Members of the National Bank Council and staff have a duty to place the National Bank's interests and its customers' interests before their own personal and pecuniary interest.

Fees and charges

Article 71

- (1) The National Bank may charge reasonable fees and charges for the services it provides.
- (2) The National Bank Council shall lay down the form and the level of the fees and charges under paragraph (1) of this Article, in line with the complicity and the scope of the activities.

Prohibited activities

Article 72

- (1) Except as otherwise specifically authorized by this or any other law, the National Bank shall not:
 - 1) grant any credit or make any monetary or financial gift;
 - 2) engage in commerce, purchase the shares of any corporation, including the shares of any financial institution, or otherwise have an ownership interest in any financial, commercial, agricultural, industrial, or other undertaking; or
 - 3) acquire by purchase, lease, or otherwise any real rights in or to immovable property, except as it shall consider needed or necessary for the provision of premises for the conduct of its operations or requirements for the performance of its tasks.
- (2) Notwithstanding the provisions of paragraph (1) of this Article, the National Bank

may:

- 1) make adequately secured loans,
- 2) have an ownership share or otherwise participate in, any organization that is engaged in activities devoted to achievement of the tasks and responsibilities of the National Bank, and
- 3) acquire, in the course of satisfaction of debts due to it, any interests or rights referred to in paragraph (1) items 2 and 3 of this Article, provided, however, that all such interests or rights so acquired shall be disposed of at the earliest suitable opportunity.

Immunity from taxation

Article 73

- (1) The National Bank shall be exempt from value added taxes on:
 - 1) gold and other precious metals to and from the National Bank;
 - 2) banknotes and coins that are legal tender in Republic of Macedonia and
 - 3) printing paper and colors for banknotes and coin blanks prepared for minting coins that are legal tender in Republic of Macedonia to and from the National Bank;
- (2) The National Bank shall be exempt from value added taxes on import of:
 - 1) gold and other precious metals, for the National Bank;
 - 2) banknotes and coins that are legal tender in Republic of Macedonia and
 - 3) printing paper and colors for banknotes and coin blanks prepared for minting coins that are legal tender in Republic of Macedonia.
- (3) The National Bank shall be exempt from profit taxes.
- (4) The National Bank shall be exempt from property taxes for the immovable property in its ownership.

Confidentiality

Article 74

- (1) No persons who serve or have served as a member of the National Bank Council or staff shall, except when necessary for the fulfillment of any function or duty imposed by this Law or any other law, permit access to, disclose or publicize nonpublic information which they have obtained in the performance of their tasks and duties or use such information, or allow such information to be used, for personal gain.
- (2) By way of derogation from paragraph (1) of this Article, member of the National Bank Council or staff may disclose nonpublic information, in accordance with procedures established by the National Bank, only if:
 - 1) consent is obtained of the person about whom the information relates;
 - 2) for the fulfillment of a duty to disclose as imposed by law, or on the order of a court;
 - 3) given to the external auditors of the National Bank;
 - 4) given to regulatory and supervisory authorities in the performance of their official duties; or
 - 5) the interest of the National Bank itself in legal proceedings requires disclosure.
- (3) The National Bank Council shall determine the classification and accessibility of documents held by or drawn up by the National Bank in accordance with the regulation for accessibility and protection of classified information.

Claim settlement

Article 75

- (1) The National Bank shall have a first ranking unconditional preferential right to satisfy each of its claims arising from the execution of its tasks from any cash balances, securities and other assets that it holds, on any ground, for the account of the debtor concerned, at the time that such claim becomes due and payable.
- (2) No court action shall be required, and no competing claim shall be permitted, to delay the exercise by the National Bank of its preferential right specified under paragraph (1) of this Article.

Immunity from attachment

Article 76

No attachment shall be issued against the National Bank or its property, including gold, special drawing rights, banknotes and coins, credits, deposits or securities, and any proceeds thereof, before the issuance of a final judgment brought before the courts.

Damage liability

Article 77

- (1) The National Bank shall not be liable to third parties for the damages that may occur as a result of the measures and activities for preserving the stability and soundness of a particular financial institution or the overall banking system, except in cases when it fails to comply with the authorizations prescribed by law.
- (2) The persons who were or have been supervisors shall not be liable for damages under paragraph (1) of this Article, except in cases when they are convicted of a felony related to their operations, with a decree absolute.
- (3) The staff, Governor, Vice governors and nonexecutive members of the National Bank Council of the National Bank, during or after employment, i.e. engagement in the National Bank, shall not be liable to third parties for the damages that may occur as a result of performing their duties, provided they were carried within the legal authorization.

Indemnification

Article 78

The National Bank shall indemnify for the costs incurred in the legal action brought against the staff, Governor, Vice governors and nonexecutive members of the National Bank Council in connection with their employment i.e. engagement at the National Bank, except when they have been convicted of a crime arising from their activities.

XI. RELATIONS BETWEEN THE NATIONAL BANK AND THE EUROPEAN UNION

Article 79

The National bank shall cooperate and exchange information with the European Central Bank and other institutions and bodies of the European Union.

XII. MEMBERSHIP OF THE REPUBLIC OF MACEDONIA IN THE EUROPEAN UNION

General provisions

Article 80

- (1) The National Bank shall be an integral part of the European System of Central Banks (hereinafter: ESCB).
- (2) The National Bank shall work on achieving the objectives and carrying out the tasks of the ESCB. in accordance with the provisions of the Treaty establishing the European Community, the Statute of the ESCB and the European Central Bank (hereinafter: ECB), the directly applicable regulations of the European Union and the provisions of this Law,

Independence of the National Bank

Article 81

Without prejudice to Article 5 of this Law, the National Bank, and the members of the National Bank Council, shall neither seek nor take instructions from the institutions and bodies of the European Union, from any government of a Member State or from any other body. The institutions and bodies of the European Union and the governments of the Member States may not influence the independence of the National Bank, the adoption and implementation of decisions of the National Bank and of its bodies, nor may they approve, revoke, postpone, cancel, or influence in any other form any decision of the National Bank and of its bodies

Objectives of the National Bank as part of the ESCB

Article 82

Without prejudice to the objectives laid down in Article 6 of this Law, the National Bank shall support the general economic policies of the European Community with a view to achieving the objectives as laid down in Article 2 of the Treaty establishing the European Community. The National Bank shall act in accordance with the principle of an open market economy with free competition, in compliance with the principles set out in Article 4 of the Treaty establishing the European Community.

Subscription of the capital of the ECB

Article 83

The National Bank shall subscribe and pay up the capital in the ECB in accordance with Articles 28 and 29 of the Statute of the ESCB and the ECB.

Competences and powers to implement the exchange rate policy

Article 84

- (1) When adopting measures related to the exchange rate of the domestic currency, the National Bank shall take into account the common interest of the Member States of the European Union.
- (2) The Council of the European Union shall have all the competences referred to in Article 111 of the Treaty establishing the European Community concerning the foreign exchange rate policy.

Advisory function of the ECB

Article 85

- (1) Any draft-law and regulation within the ECB's competence shall be submitted to the ECB for an opinion.
- (2) The Government of the Republic of Macedonia shall, for information purposes, submit to the National Bank the draft-laws and other regulations referred to in paragraph (1) of this Article.
- (3) The Government of the Republic of Macedonia shall consult the National Bank on areas outside the competence of the ECB, in the preparation of regulations concerning the objectives, tasks and competences of the National Bank.

Protection of banknotes and coins against counterfeiting

Article 86

With the view of efficient performing of the activities related to the protection of banknotes and coins against counterfeiting, the National Bank shall adopt measures in accordance with the rules of the European Union.

Prohibition of lending

Article 87

- (1) Without prejudice to Article 44 of this Law, the National Bank may not extend lines of credits to the institutions and bodies of the European Union, central governments, regional and local authorities, other bodies with public authorizations and public undertakings over which Member States exercise a dominant influence, as set out in Article 101 of the Treaty establishing the European Community.
- (2) The National Bank may not purchase debt securities directly from the persons and bodies referred to in paragraph (1) of this Article.
- (3) By way of derogation, the prohibition referred to in paragraph (1) of this Article shall not apply to state owned banks, when they enjoy the same treatment as private credit institutions.
- (4) By way of derogation, the prohibition referred to in paragraph (1) of this Article shall not apply to intra-day loans granted to the Government of Member States. Such loans must be repaid by the end of the day and may not be extended to the next day.

Right to appeal against removal from office

Article 88

The Governor of the National Bank shall have the right to appeal before the European Court of Justice against the decision on removal from office. All other members of the National Bank Council may, against the decision on the removal from office taken by the Parliament of the Republic of Macedonia, bring an administrative dispute before the competent court at the Republic of Macedonia.

Membership in ECB bodies

Article 89

The Governor of the National Bank shall be a member of the General Council of the ECB.

Data confidentiality

Article 90

- (1) The submission of data to the ECB as required to fulfill the obligations set out in the Statute of the ESCB and the ECB shall not be considered as disclosure of confidential data.
- (2) The confidential data of the National Bank shall not be disclosed to third parties even when the conditions referred to in Article 74 of this Law are met, when such disclosure is contrary to the duties and tasks of the National Bank set out in the provisions of the Treaty establishing the European Community and the Statute of the ESCB and the ECB.

Collection of statistics

Article 91

In order to achieve the objective and carry out the tasks of ECB, the National Bank shall participate in the collection, processing and dissemination of statistics in accordance with Article 5 of the Statute of the ESCB and ECB and this Law.

Prohibition on privileged access

Article 92

In accordance with Article 102 of the Treaty establishing the European Community, the prohibition on privileged access to financial institutions under Article 45 of this Law shall apply also to institutions and bodies of the European Union, central government, regional and local authorities, other bodies with public authorizations or public enterprises of the member states of the European Union.

XIII. INTRODUCTION OF THE EURO AS THE OFFICIAL CURRENCY OF THE REPUBLIC OF MACEDONIA

Tasks of the National Bank as part of the ESCB

Article 93

In accordance with the Treaty establishing the European Community and the Statute of the ESCB and the ECB, National Bank shall carry out the following tasks:

- 1) participate in the implementation of monetary policy of the European Community;
- 2) conduct foreign exchange operations as set out in Article 111 of the Treaty establishing the European Community;
- 3) hold and manage the portion of foreign reserves of the Republic of Macedonia that have not been transferred to the ECB; and
- 4) ensure the smooth operation of payment systems.

Tasks of the National Bank

Article 94

Without prejudice either to its tasks referred to in Article 93 of this Law and to its independence, the National Bank shall carry out the following tasks:

- 1) regulate, license, and supervise credit institutions and other financial institutions as further specified in this Law or any other law;
- 2) supervise the application of the regulations that govern foreign currency operations, exchange operations, money transfer services and the anti-money laundering systems, as further specified in the relevant laws;
- 3) open accounts for and accept deposits from credit institutions, execute payment operations across these accounts and grant loans to credit institutions;
- 4) collect and process statistics;
- 5) establish, promote, register and oversee safe, sound and efficient payment, settlement and clearing systems;
- 6) act as fiscal agent for the Republic of Macedonia and perform other operations for the Republic of Macedonia, as provided by law;
- 7) adopt bylaws on operations within its competence; and
- 8) perform other operations as provided by other regulations; if not contrary to the tasks set out in Article 3 of the Statue of the ESCB and the ECB.

Participation in international monetary institutions

Article 95

The National Bank may participate in the work of international monetary institutions only subject to approval of the ECB.

Participation of the National Bank in the implementation of monetary policy

Article 96

- (1) As an integral part of the ESCB, the National Bank shall participate in the conduct of monetary policy and exercise monetary control.
- (2) In the conduct of monetary policy, the National Bank shall act in accordance with the legal acts of the ECB and the regulations of other competent bodies of the European Union.
- (3) In order to ensure the smooth application of the legal acts referred to in paragraph

- (1) of this Article, the National Bank may, subject to prior opinion of the ECB, adopt implementation acts.
- (4) The acts referred to in paragraph (2) of this Article must be fully in line with the legal acts of the ECB.

Measures for prevention from over liquidity on the market

Article 97

In order to prevent an uncontrollable increase of liquidity in the market which might occur on the day of introduction of the Euro as the official currency of the Republic of Macedonia and with regard to the obligations of banks and savings houses to adjust the amount of reserve requirement stipulated by the National Bank to the amount of reserve requirement stipulated by the ECB, the National Bank may define the appropriate measures in its bylaws.

Open market and credit operations

Article 98

In order to achieve the objectives and to carry out the tasks of the ESCB, and in accordance with Article 18 of the Statute of the ECB, the National Bank may:

- 1) participate in the financial markets by buying and selling outright (spot and forward) or under repurchase agreement or by lending or borrowing claims, marketable instruments (whether in Community or in non-Community currencies) and precious metals; and
- 2) conduct credit operations with banks and other market participants, by lending based on adequate collateral.

Minimum reserve requirement

Article 99

- (1) The ECB may require credit institutions to hold minimum reserve requirement on accounts with the ECB and the National Bank in pursuance of monetary policy objectives and in accordance with Article 19 of the Statute of the ESCB and the ECB.
- (2) The Council of the European Union shall define the conditions, basis and the ratios for calculating the minimum reserve requirement, as well as the manner and deadlines for allocating and maintaining reserve requirement.
- (3) If a credit institution fail to comply with the ECB requirement referred to in paragraph (1) of this Article, the ECB shall be entitled to levy to the bank, penalty interest and/or to impose other sanctions with comparable effect.

Other monetary control instruments

Article 100

The National Bank shall be authorized to use other monetary control instruments defined by the Governing Council of the ECB in accordance with Article 20 of the Statute of the ESCB and the ECB.

Foreign exchange operations

Article 101

- (1) In accordance with the provisions of the Treaty on establishing the European Community and Article 23 of the Statute of the ESCB and the ECB, the National Bank may:
 - 1) establish relations with central banks and financial institutions with third countries and, where appropriate, with international organizations;
 - 2) buy and sell (spot and forward) or otherwise acquire, all types of foreign exchange assets and precious metals;
 - 3) hold and manage the assets referred to in the previous item of this paragraph; and
 - 4) conduct all types of banking transactions in relations with third countries and international organizations, including borrowing and lending operations.
- (2) The term 'foreign exchange assets' referred to in paragraph (1), item 2 of this Article shall include securities and all other assets in any foreign currency or unit of account in whatever form held.

Foreign reserves

Article 102

The assets referred to in Article 101, paragraph (1) item 2 of this Act shall constitute the foreign reserves of the Republic of Macedonia.

Transfer of a portion of the foreign reserves to the ECB

Article 103

- (1) The National Bank shall transfer a portion of the foreign reserves referred to in Article 102 of this Law to the ECB in accordance with Article 30 of the Statute of the ESCB and the ECB.
- (2) The National Bank may, if so entrusted by the ECB, manage the transferred portion of foreign reserves referred to in paragraph (1) of this Article on behalf and for the account of the ECB, as set out in the guidelines of the ECB.

Non-transferred foreign reserves of the Republic of Macedonia

Article 104

- (1) The portion of the foreign reserves referred to in Article 102 of this Law that has not been transferred to the ECB in accordance with Article 103 of this Law shall constitute the foreign reserves of the Republic of Macedonia, which shall be held and managed by the National Bank.
- (2) The foreign reserves of the Republic of Macedonia referred to in paragraph (1) of this Article shall constitute a part of the balance sheet of the National Bank.
- (3) The National Bank shall manage the foreign reserves referred to in paragraph (1) of this Article in accordance with its own policies, upholding the principles of safety, liquidity and profitability of investment.
- (4) Transactions in non-transferred foreign reserves and transactions with the assets at the current foreign exchange accounts of the Republic of Macedonia that exceed the amount set out in the guidelines of the Governing Council as defined by Article

- 31 of the Statute of the ESCB and the ECB, shall be subject to approval of the ECB.
- (5) By way of derogation from paragraph (4) of this Article, the performance of transactions arising from the fulfillment of obligations towards international organizations referred to in Article 101 of this Law, shall not be subject to approval of the ECB.

Issuance of banknotes and coins

Article 105

- (1) The National Bank may issue banknotes denominated in Euro within the limits approved by the ECB and in accordance with the provisions of the Statute of the ESCB and the ECB and the provisions of the Treaty establishing the European Community.
- (2) The National Bank may issue coins denominated in Euro subject to approval by the ECB of the volume of the issue. The National Bank shall apply the rules on denominations and technical specifications in accordance with the relevant rules of the European Union.

Design of coins

Article 106

The National Bank shall participate in defining the design of the coins that it issues in accordance with the relevant rules of the European Union.

Payment transaction settlement systems

Article 107

- (1) The National Bank shall ensure the conditions for the smooth and efficient operation of payment transaction settlement systems within and outside the European Union applying the regulations of the ECB and of other competent bodies of the European Union.
- (2) In order to ensure the smooth application of the regulations referred to in paragraph (1) of this Article, the National Bank may adopt implementation acts, subject to approval of the ECB.
- (3) Acts referred to in paragraph (2) of this Article must be fully in line with the regulations of the ECB and of other competent bodies of the European Union.

Tasks and powers of the National Bank Council

Article 108

The National Bank Council shall be competent to:

- 1) adopt the budget of the National Bank;
- 2) adopt the reports referred to in Article 61 of this Law;
- 3) issue and withdraw license for operating payment systems and adopt bylaws regulating their operation, if authorized pursuant this Law and the Statute of the ESCB and the ECB;
- 4) adopt bylaws regulating the issuance of coins, if authorized pursuant this Law, the Statute of the ESCB and the ECB and the relevant regulations of the

- European Union;
- 5) formulate strategy and policies for managing the non-transferred portion of foreign reserves;
 - 6) decide on the National Bank's membership in international institutions and organizations; and
 - 7) decide on the membership of the National Bank in international monetary institutions, subject to approval of the ECB.

Membership in ECB bodies

Article 109

The Governor of the National Bank shall be a member of the Governing Council of the ECB.

Capital of the National Bank

Article 110

On the date of introduction of the Euro as the official currency of the Republic of Macedonia, the capital of the National Bank in the amount of Denar 1.289.789.232,00 shall be converted into Euro according to the fixed conversion rate (Denar/EUR).

Financial statements of the National Bank

Article 111

- (1) The National Bank shall prepare financial statements in accordance with the accounting rules and instructions of the ECB.
- (2) The annual financial statements of the National Bank shall include the portion of monetary income of the ESCB and ECB allocated by the ECB in accordance with the Statute of the ESCB and the ECB and accrued in the implementation of the common monetary policy.

Appointment of auditor

Article 112

The decision on the appointment of an independent external auditor to audit the financial statements of the National Bank shall be made in accordance with the Statute of the ESCB and the ECB.

Bylaws

Article 113

For the purposes of applying the guidelines of the ECB in the areas of competence of the ECB, the National Bank adopts bylaws, subject to approval of the ECB.

ECB sanctions

Article 114

- (1) The National Bank shall apply the system of ECB sanctions in the areas which are governed by the regulations of the ECB, in accordance with the Treaty establishing the European Community.
- (2) The National Bank shall participate in the procedure for imposing ECB sanctions in accordance with the regulations of the ECB and other regulations of the bodies of the European Union.

XIV. MISDEMEANOR PROVISIONS

Misdemeanor body Article 115

- (1) For the misdemeanors regulated under Article 117, 118, 119 and 120 of this Law, the National Bank shall launch a misdemeanor procedure and impose misdemeanor sanctions.
- (2) For the misdemeanors regulated under Article 121 and 122 of this Law, the competent court shall launch a misdemeanor procedure and impose misdemeanor sanction.
- (3) The misdemeanor procedure referred to in paragraph (1) of this Article shall be conducted by the Misdemeanor Commission (hereinafter: Misdemeanor Commission) comprising persons employed in the National Bank, appointed by the Governor.
- (4) The Governor shall determine the number, the qualifications and work experience of the Misdemeanor Commission members.
- (5) Misdemeanor Commission members shall be elected for a period of 5 years with a right to reappointment.
- (6) Only bachelor of law, having passed the bar exam, may be assigned as a president of the Misdemeanor Commission.
- (7) The Misdemeanor Commission shall adopt rules of procedure, previously approved by the Governor.

Work of the Misdemeanor Commission Article 116

- (1) Members of the Misdemeanor Commission may be dismissed in the following cases:
 - 1) when the period for which they were appointed as a member expires;
 - 2) on their request;
 - 3) when they become eligible for old-age pension, pursuant to law;
 - 4) if determined to be permanently unable to work;
 - 5) if violation of regulations for conducting misdemeanor procedure is determined with effective court decision;
 - 6) if they have been convicted for criminal offense;
 - 7) if they fail to meet the obligations arising from the operations in the Misdemeanor Commission or
 - 8) if they fail to report conflict of interest for cases subject to decision-making by the Misdemeanor Commission.

- (2) The proposal for dismissal of a member of the Misdemeanor Commission under paragraph 1 (3) to (8) of this article shall be submitted by the Misdemeanor Commission to the Governor of the National Bank.
- (3) Misdemeanor Commission members shall be independent in their operations and shall make decision on the basis of regulations, their expert knowledge and their personal belief.
- (4) The decision of the Misdemeanor Commission shall be considered adopted when voted by the majority of its members.

Article 117

- (1) A bank, a foreign bank branch and a saving house shall be fined with EUR 15,000 to 20,000 in Denar equivalent, if it fails to comply with the obligation for reserve requirement or fails to comply with the conditions, the base and the rates for calculation of the reserve requirement, as well as the manner and the deadlines for allocating and maintaining a reserve requirement (Article 20).
- (2) The responsible person with the bank, branch of a foreign bank and saving house shall be fined with EUR 4,000 to EUR 6,000 in Denar equivalent for the misdemeanor referred to in paragraph (1) of this Article.

Article 118

- (1) A legal entity shall be fined with EUR 15,000 to EUR 20,000 in Denar equivalent if it reproduces banknotes and coins that are legal tender in Republic of Macedonia or creates any objects that by their design imitate any such banknote and coin without prior written authorization of the National Bank (Article 30).
- (2) The responsible person of the legal entity shall be fined with EUR 4,000 to EUR 6,000 in Denar equivalent for the misdemeanor referred to in paragraph (1) of this Article.

Article 119

- (1) Natural persons shall be fined with EUR 4,000 to EUR 6,000 in Denar equivalent if they reproduce banknotes and coins that are legal tender in Republic of Macedonia or create any objects that by their design imitate any such banknote and coin without prior written authorization of the National Bank (Article 30).

Article 120

- (1) A bank, foreign bank branch, saving house, and any other legal entity required to furnish with statistics and information shall be fined with EUR 2,000 to 5,000 in Denar equivalent if:
 - 1) it fails to submit, or fails to submit in due course, any statistics and information to the National Bank as required by Article 36 of this Law;
 - 2) it fails to submit, or fails to submit in due course, any data and information to the National Bank on maintaining the Credit Registry (Article 39).
- (2) The responsible person with the bank, foreign bank branch, saving house, and any other legal entity required to submit statistics and information shall be fined with

EUR 500 to EUR 1,000 in Denar equivalent for the misdemeanor referred to in paragraph (1) of this Article.

Article 121

Natural persons shall be fined with EUR 400 to EUR 800 in Denar equivalent if they fail to submit, or fail to submit in due course, any statistics and information to the National Bank according to Article 36 of this Law.

Article 122

The Governor, the Vice Governors and the nonexecutive members of the National Bank Council shall be fined with EUR 6,000 to 10,000 in Denar equivalent for a misdemeanor if they:

- 1) carry out other professions during their term of office (Article 50 paragraph (3));
- 2) fail to provide a written statement on a specific issue in case their objectivity is threatened by a conflict of interest with regard to such matter and fail to be exempted from the decision-making (Article 70); and
- 3) disclose classified information with certain level of secrecy, regardless of the way they have obtained it when carrying out their function (Article 74).

Article 123

A National Bank staff member shall be fined with EUR 4,000 to 8,000 in Denar equivalent for a misdemeanor, if they disclose classified information with certain level of secrecy, regardless of the way they have obtained it when carrying out their duties (Article 74).

Article 124

- (1) The misdemeanor procedure defined by this Law may not be initiated nor conducted after two years from the day of committing the misdemeanor.
- (2) The lapse period shall be terminated with any process undertaken by any competent body for persecution of the perpetrator.
- (3) After each termination of the period referred to in paragraph (2) of this Article, the lapse period shall start running again, but the misdemeanor procedure cannot be launched nor conducted after the expiry of four years from the day of committing the misdemeanor.

XV. TRANSITIONAL AND CLOSING PROVISIONS

Article 125

- (1) The Governor and Vice Governors of the National Bank Council elected by the Parliament of the Republic of Macedonia until the day this Law enters into the force

- shall remain at duty until the expiry of their term of office.
- (2) The external members of the National Bank Council elected by the Parliament of the Republic of Macedonia until the day this Law enters into the force, shall become nonexecutive members of the National Bank Council and remain on duty until the expiration of their term.
 - (3) The Governor, the Vice Governors and the nonexecutive members of the National Bank Council shall, within 90 days after this Law enters into force, comply with the provision of Article 50 of this Law.
 - (4) The Vice Governor elected by the Parliament of the Republic of Macedonia until the day this Law enters into the force, who is not a member of the National Bank Council, shall become a member of the National Bank Council on the day of expiration of the mandate of any of its nonexecutive members.

Article 126

- (1) The bylaws specified by this Law shall be adopted within 9 months from the date this Law enters into force.
- (2) The existing bylaws shall apply until the date of effectiveness of the bylaws referred to in paragraph (1) of this Article.

Article 127

- (1) The provisions of Chapter XII Membership of the Republic of Macedonia in the European Union with Articles 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93 and 94 of this Law shall apply as of the date of accession of the Republic of Macedonia to the European Union.
- (2) The provisions of Chapter XIII Introduction of the Euro as an official currency of the Republic of Macedonia with Articles 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114 and 115 of this Law, shall apply as of the date of the introduction of the Euro as an official currency of the Republic of Macedonia.

Article 128

- (1) As of the date of accession of the Republic of Macedonia to the European Union, the provision of Article 6 paragraph (2), Article 44 and the provision of Article 79 shall cease to be valid.
- (2) As of the date of accession of the Republic of Macedonia to the European Union, the misdemeanor procedure for the misdemeanors listed under Article 20 of this Law shall be held at the authorized court.

Article 129

As of the date of the introduction of the Euro as an official currency of the Republic of Macedonia the provisions of the following Articles shall cease to be valid: Articles 7, 12 paragraph (1), 14 paragraph (1), 19, 20, 21, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 40 paragraph (1), 47 items 1), 2), 15), 16), 18) and 20), 48 paragraph (1) items 2), 4) and 6), 60 paragraph (1), 65, 73 paragraph (1) items 2) and 3) and paragraph (2) items 2) and 3),

84, 115 paragraphs (1), (3), (4), (5), (6) and (7), 116, 117, 118 and 119 of this Law.

Article 130

On the day this Law enters into force, the Law on the National Bank of the Republic of Macedonia (Official Gazette of the Republic of Macedonia“ no. 3/02, 51/03, 85/03, 40/04, 61/05 and 129/06) shall cease being valid.

Article 131

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