



NATIONAL BANK OF THE REPUBLIC OF MACEDONIA

Pursuant to Article 21 paragraph 2 of the Law on Foreign Exchange Operations (“Official Gazette of the Republic of Macedonia” no. 34/01, 49/01, 103/01 and 51/03) and Articles 31 and 64 paragraph 1 item 22 of 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 and 61/05) the National Bank of the Republic of Macedonia Council adopted the following

DECISION

on the terms and the manner of extending foreign exchange loans and foreign exchange indexed loans between residents
("Official Gazette of the Republic of Macedonia" no. 41/2006)

I. GENERAL PROVISIONS

1. This Decision sets forth the terms on which a bank may extend foreign exchange loans and foreign exchange indexed loans to residents, and the manner of extending foreign exchange loans between residents.

Foreign exchange loans to residents may be extended only by an authorized bank which fulfils the terms and conditions for performing international operations, in accordance with the Banking Law.

II. TERMS AND CONDITIONS FOR EXTENDING FOREIGN EXCHANGE AND FOREIGN EXCHANGE INDEXED LOANS BETWEEN RESIDENTS

2. The bank extending foreign exchange loans and foreign exchange indexed loans to residents shall be required to establish a written policy and procedures for assessing the credit risk arising from the exchange rate risk of the resident – borrower (hereinafter: the borrower). The policy and the procedures should contain criteria for determining and monitoring the capability of the borrower to service his/her liabilities according to the loan agreement in case of a possible change in the Denar exchange rate against the currencies in which those loans are denominated, i.e. indexed.

The policies and the procedures under paragraph 1 of this item contain provisions pertaining at least to the following:

- monitoring, analysis and assessment of the matching of the borrower’s foreign exchange claims and liabilities structure (the foreign exchange position), by currency and maturity;
- determining and monitoring of the size and the structure of the borrower’s cash flow from the viewpoint of the capability of covering potential changes in the amount of credit liabilities to the bank following a change in the exchange rate of the Denar against the currency in which the loan is denominated, or indexed, at least on an annual basis;

- defining an adequate amount of collateral, in line with the assessment of the borrower's creditworthiness and the ability to cover the possible higher amount of credit indebtedness, following changes in the foreign exchange rate;
- determining quantitative limits on the amount of each foreign exchange loan and/or foreign exchange indexed loan of residents, as well as quantitative limits on the share of the foreign exchange and foreign exchange indexed credit exposure of residents, in the bank's total credit exposure;
- assessment of the influence of exchange rate fluctuations on the bank's loan portfolio, by means of stress-test analyses or other type of simulations, at least once a year. The bank shall not be required to carry out stress-test analyses if the amount of the bank's credit exposure in foreign exchange, including also the foreign exchange indexed loans to residents, fails to exceed 15% of its total credit exposure to residents, with the foreign currency deposits in banks and the foreign exchange, or foreign exchange indexed investments in securities issued by the Republic of Macedonia, not being taken into consideration.

3. At the moment of extending the loan, the borrower should meet the following requirements:

- to be classified by the bank in the risk category A or B and it should have average risk classification of the category A or B at the level of the banking system of the Republic of Macedonia according to the Credit Register of the National Bank of the Republic of Macedonia; or
- to provide first-class security instrument referred to in item 13 of the Decision on determining the methodology for classification of the on-balance sheet and off-balance sheet assets items of the banks according to their risk degree ("Official Gazette of the Republic of Macedonia" no. 21/02 - revised text).

III. MANNER OF EXTENDING FOREIGN EXCHANGE LOANS BETWEEN RESIDENTS

4. Regarding extension of a foreign exchange loan to a borrower – resident for repayment of a due liability to non-resident, the authorized bank is required to provide the documentation from the borrower, clearly indicating the basis and the payment requirement to non-resident, in accordance with the Instructions for the manner of conducting international payment operations ("Official Gazette of the Republic of Macedonia", no. 79/02, 98/02 and 105/05).

The authorized bank shall transfer the funds from the extended loan to the borrower's special account for repaying the liabilities to non-residents.

The authorized bank shall not transfer the funds from the extended loan to the current account of the borrower - legal entity in foreign currency, on which the funds from the collections from non-residents, i.e. on the current account, savings book and other deposit accounts in foreign currency of the borrower - natural person, are recorded.

The authorized bank shall be obliged to settle the borrower's liability to the non-resident within 2 working days after the date of the transfer of funds from the extended loan to the special account.

In the case the payment to the non-resident is made by a letter of credit, the bank shall transfer the funds from the extended loan to a special account for coverage based on letters of credit till the payment date.

In case of cancellation or decrease in the value when executing the letter of credit, i.e. the remittance, the bank shall be obliged to correct, or cancel the extension of the loan (coverage based on the letter of credit). Based on such corrected, i.e. canceled extensions, the bank may not approve the foreign assets in foreign currency to the borrower.

5. The authorized bank shall transfer the funds based on extended foreign exchange loan in Denar equivalent for payments in the country, to the Denar account of the borrower. The Denar equivalent of the extended loan shall be calculated on the basis of an exchange rate agreed upon between the authorized bank and the borrower, which is an integral part of the loan agreement.

6. The borrower – legal entity may repay the loan in foreign exchange if it results from collections from non-residents, or in Denars.

The borrower - natural person shall repay the loan in Denars.

Regarding the repayment in Denars, the authorized bank and the borrower should determine the exchange rate of the repayment of the loan by the agreement.

IV. REPORTING

7. The bank should submit monthly reports to the National Bank of the Republic of Macedonia on the foreign exchange loans and foreign exchange indexed loans extended to residents, in a manner and in terms prescribed in instructions concerning the enforcement of this Decision, adopted by the Governor of the National Bank of the Republic of Macedonia.

V. TRANSITIONAL AND CLOSING PROVISIONS

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

The bank shall be required to establish and to submit the policy and the procedures under item 2 of this Decision to the National Bank of the Republic of Macedonia until June 30, 2006, at the latest.

9. On the day of enforcement of this Decision, the Decision on the terms and the manner of concluding foreign exchange credit operations between residents ("Official Gazette of the Republic of Macedonia" no. 66/2003) ceases to be valid.

President
of the National Bank of the
Republic of Macedonia Council

Petar Goshev, M.A.
Governor