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Questions: Mr. de Barros Serrao, MCM (ext. 39309)
Mr. Chamoun, FIN (ext. 37913)
Mr. Weenink, LEG (ext. 37408)
Ms. Kao, LEG (ext. 37852)



REPUBLIC OF NORTH MACEDONIA

CENTRAL BANK TRANSPARENCY CODE REVIEW

January 18, 2022

DETAILED REVIEW REPORT

Prepared By
**Monetary and Capital
Markets Department**

This report was prepared by a virtual IMF mission in North Macedonia in May–June 2021, led by Carlos de Barros Serrao and comprised of Elie Chamoun (FIN), Hans Weenink and Kathleen Kao (LEG), Marcela Matamoros, Luis Jacome, and Bernard J. Laurens;¹ and overseen by the Monetary and Capital Markets Department, IMF. Production assistance was provided by Danica Owczar, Wifianni Wirsatyo, and Julie Vaselopulos.

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¹ The mission was backstopped by the following HQ staff: Asad Qureshi, Ashraf Khan, Stephane Couderc, and Svetlana Popova.

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Glossary

AIV	IMF Article IV
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
ARA	Assessing Reserve Adequacy
AREAER	IMF Annual Report on Exchange Arrangements and Exchange Restrictions
BIS	Bank for International Settlements
BL	Banking Law
CBT	IMF Central Bank Transparency Code
CPI	Consumer Price Index
ELA	Emergency Liquidity Assistance
ESCB	European System of Central Banks
EU	European Union
FSAP	IMF Financial Sector Assessment Program
FSB	Financial Stability Board
FSC	Financial Stability Committee
FSI	Financial Soundness Indicators
FSR	Financial Stability Report
FX	Foreign Exchange
GRC	Governance, Risk, and Compliance
HCM	Human Capital Management
IFRS	International Financial Reporting Standards
IT	Inflation Targeting or Information Technology (depending on the context)
LOLR	Lender of Last Resort
MOF	Ministry of Finance
MoU	Memorandum of Understanding
NBRNM	National Bank of the Republic of North Macedonia
OMO	Open Market Operations
Q&A	Questions and Answers
SAA	Stabilization and Association Agreement
SDDS	IMF Special Data Dissemination Standard
USD	U.S. Dollar
VaR	Value-at-Risk

EXECUTIVE SUMMARY

The National Bank of the Republic of North Macedonia (NBRNM) is implementing advanced transparency practices. The long-standing commitment to transparency noted by a number of stakeholders and forcefully re-affirmed in the recent period is well anchored in the law, and it has been designated by the NBRNM as a strategic objective to fulfill its mandate. This policy has earned the NBRNM noteworthy trust from stakeholders met by the mission, and it has paid significant dividends in terms of anchoring its autonomy and ensuring policy effectiveness.

The NBRNM's consistent track record with regard to macroeconomic outcomes has helped cultivate a high level of public trust and support.. The NBRNM has responded to the public's desire for deeper engagement through enhanced communication and efforts to enhance transparency. Reliance on social media tools in addition to the comprehensive range of the other communication tools has provided most useful avenues to respond more effectively to targeted audiences. In the same direction, recognizing the importance of financial education and communications, in the recent years the NBRNM has introduced several initiatives to deepen educational and outreach programs and improved its communications with its main stakeholders.

The NBRNM has a comprehensive transparency framework for its core monetary policy mandate. A long-standing monetary strategy of targeting the denar nominal exchange rate, in preparation for European Union (EU) accession and joining the European System of Central Banks (ESCB), has provided a transparent background for policy actions aimed at delivering the primary price stability mandate. The transparency framework for monetary policy is well established covering policy decisions, supporting analysis, monetary and foreign exchange operations, and related reporting. Transparency is high in terms of timeliness, periodicity, and disclosure.

The NBRNM has made strides to enhance the transparency of its financial stability policy and further improvement of transparency practices is expected with the new Law on Financial Stability. A well-defined legal mandate for financial stability has been utilized by the NBRNM for introducing an array of macroprudential policy instruments, most of them with a focus on strengthening capital buffers. The NBRNM discloses not only the decisions taken, but also the methodology and indicators that form the basis for the implementation of these buffers. However, the NBRNM explanations do not map macroprudential policy instruments to systemic financial risks, and they do not elucidate how policy decisions can help mitigate these risks. From the perspective of the entire financial industry, the Financial Stability Committee (FSC) serves as a policy coordination body for macroprudential policy and crisis management. The FSC was established based on a Memorandum of Understanding (MoU) signed by the Governor of the NBRNM, the Minister of Finance, and the other regulatory and supervisory financial authorities. However, the MoU has not been widely disclosed and, therefore, market participants are not fully aware of the FSC's role and objectives. The mission understands that these gaps are likely to be addressed with the adoption of a new law on Financial Stability, whose approval is beyond the control of the NBRNM. The NBRNM has also put in place and disclosed to the public an Emergency Liquidity

Assistance (ELA) framework, which is reasonably clear in differentiating between ELA tools and those used for system-wide liquidity management.

Assessments of risks to financial stability are periodically and timely disclosed. Results of quarterly sensitive analysis and annual macro stress tests for the banking sector, and the methods and underlying data used are disclosed. Financial Soundness Indicators (FSIs) are also disclosed on a quarterly basis, and the Financial Stability Report (FSR) discusses new and emerging vulnerabilities.

The public's understanding of the internal governance framework set in the Law of the NBRNM could be enhanced through additional explanations on the website. The press releases published on the website following the meetings of some internal advisory committees do not provide easily understandable information on how responsibilities are cascaded down into actions and operations. Fuller disclosure of the composition, role and responsibilities of all the committees, as well as their interactions with the NBRNM's decision making bodies, would further enhance transparency of the decision-making process, as would publication of activity reports that are produced by some of them. Moreover, the responsibilities of the NBRNM's decision-making bodies could be explained on the website in a manner that is more easily understandable for the public. Similarly, clarity is needed on the anti-corruption framework, which consists of national policies and measures as well as the NBRNM's Law and Code of Ethics. Disparities in applicable provisions have the potential to create confusion and should be resolved.

Fuller disclosure of the detailed nature of official relations with some national or international public agencies would further enhance transparency practices that are already sensible and considered broadly satisfactory by stakeholders. Transparency regarding the institutional relationships between the NBRNM with the government/ministries, or its financial sector agencies relevant to the pursuit of the NBRNM's mandate and execution of its functions, would benefit from a fuller disclosure of the provisions of the MoUs that governs the operational modalities of their interactions, as well as regular reports that may be produced. With regard to international agencies, transparency would benefit from making public the detailed contents of the agreements when the counterpart is also willing to disclose those arrangements.

The NBRNM plays an important role in preserving financial integrity, but information on its activities and practices in this area is limited. The NBRNM discloses general information about its AML/CFT supervisory function and powers, but such information is notably absent from documents describing its broader supervision of the financial sector. Available materials do not provide a comprehensive picture of the NBRNM's activities or processes in this area. Transparency would be greatly enhanced with more detailed information about the NBRNM's AML/CFT supervisory activities and results, as well as how they integrate into the larger supervisory framework. The NBRNM also performs AML/CFT controls to mitigate potential money laundering and terrorism financing risks arising from its own operations, but its internal control system is newly developed and not yet fully implemented. As such, although the policy has been adopted by the NBRNM Council with delayed application, no information on related activities is yet available.

**Table 1. National Bank of the Republic of North Macedonia:
Central Bank Transparency Overview**

Pillar	Principle		Sub-principle		Practices ²		
					Core	Exp.	Comp.
I. Governance	1.1.	Legal Structure					
	1.2.	Mandate					
	1.3.	Autonomy	1.3.1.	Institutional/Operational			
			1.3.2.	Functional			
			1.3.3.	Personal			
			1.3.4.	Financial			
	1.4.	Decision-Making					
	1.5.	Risk Management	1.5.	Risk Management			
			1.5.1.	Risk Exposure			
			1.5.2.	Risk Framework			
	1.6.	Accountability Framework	1.6.	Accountability Framework			
			1.6.1.	Arrangements			
			1.6.2.	Tools			
			1.6.3.	Anti-Corruption/COC			
1.6.4.			Human Capital Management				
1.7.	Communication	1.7.1.	Arrangements				
		1.7.2.	Strategy/Tools				
1.8.	Confidentiality						
II. Policies	2.1.	Monetary Policy	2.1.1.	Objectives/Framework			
			2.1.2.	Policy Decisions			
			2.1.3.	Supporting Analysis			
	2.2.	FX Administration	2.2.1.	Objectives/Framework			
			2.2.2.	Policy Decisions			
			2.2.3.	Supporting Analysis			
	2.3.	FX Management	2.3.1.	Objectives/Framework			
			2.3.2.	Policy Decisions			
			2.3.3.	Supporting Analysis			
	2.4.	FX Reserve Management	2.4.1.	Objectives/Framework			
			2.4.2.	Policy Decisions			
			2.4.3.	Supporting Analysis			
	2.5.	Macroprudential	2.5.1.	Objectives/Framework			
			2.5.2.	Policy Decisions			
2.5.3.			Supporting Analysis				
2.6.	Microprudential Supervision						
2.7.	ELA						
2.8.	Resolution						
2.9.	FMI						
2.10.	Financial Integrity (Internal AML/CFT Control)						
2.11.	Consumer Protection						
III. Operations	3.1.	Monetary Policy	3.1.1.	Instruments			
			3.1.2.	Coverage			
			3.1.3.	Access			
	3.2.	FX Administration	3.2.1.	Instruments			

² Practices are divided into three categories: "Core," "Expanded," and "Comprehensive."

**Table 1. National Bank of the Republic of North Macedonia:
Central Bank Transparency Overview (concluded)**

			3.2.2.	Coverage			
	3.3.	FX Management	3.3.1.	Instruments			
			3.3.2.	Coverage			
	3.4.	FX Reserve Management	3.4.1.	Instruments			
			3.4.2.	Coverage			
			3.4.3.	Assessment			
	3.5.	Stress Testing	3.5.1.	FS Assessments			
			3.5.2.	ST Methods			
			3.5.3.	ST Coverage			
			3.5.4.	Use of ST Results			
	3.6.	Macroprudential	3.6.1.	Instruments			
			3.6.2.	Enforcement			
	3.7.	Microprudential Supervision					
	3.8.	ELA					
	3.9.	Resolution					
	3.10.	FMI					
	3.11.	Financial Integrity (Internal AML/CFT Control)					
	3.12.	Consumer Protection					
IV. Outcome	4.1.	Monetary Policy	4.1.1.	Governance Actions			
			4.1.2.	Policies			
			4.1.3.	Operations			
	4.2.	FX Administration	4.2.1.	Governance Actions			
			4.2.2.	Policies			
			4.2.3.	Implementation			
	4.3.	FX Management	4.3.1.	Governance Actions			
			4.3.2.	Policies			
			4.3.3.	Operations			
	4.4.	FX Reserve Management	4.4.1.	Governance Actions			
			4.4.2.	Reporting on Imp.			
			4.4.3.	Financial Results			
	4.5.	Macroprudential	4.5.1.	Governance Actions			
			4.5.2.	Policies			
4.6.	Microprudential Supervision						
4.7.	ELA						
4.8.	Resolution						
4.9.	FMI						
4.10.	Financial Integrity (Internal AML/CFT Control)						
4.11.	Consumer Protection						
V. Official Relations	5.1.	Government	5.1.1.	Institutional			
			5.1.2.	Financial			
			5.1.3.	Instruments			
			5.1.4.	Outcome			
	5.2.	Domestic Agencies	5.2.1.	Institutional			
			5.2.2.	Instruments			
			5.2.3.	Macroprudential			
			5.2.4.	Financial Stability			
5.3.	Foreign Agencies	5.3.					
5.4.	Other Relations	5.4.1.					
Denotes "Not Applicable"				Denotes "Not Implemented"			

A. Key Recommendations³

1. **While well disclosed in the Law on the NBRNM, the NBRNM's legal framework**, as well as the roles and functioning of the NBRNM Council, the Governor, and the various committees that have been established would all benefit from a description on the website that is easily accessible and understandable for the public.
2. **Transparency of the risk management function would benefit** from disclosure of a risk statement (e.g., separate chapter on risk management in the annual report, dedicated section on the website) explicitly providing: (i) a high-level overview of key risks clearly mapped to the NBRNM's mandate; and (ii) the process, governance arrangements, and strategy for management of financial and non-financial risks across the bank.
3. **Transparency of audit mechanisms would benefit from:** (i) clarifying the rules and publishing the charter governing the internal audit function and its reporting structure; and (ii) disclosing the external audit rotation policy, including criteria for the selection of external auditors.
4. **Ongoing actions to revamp the system of institutional affairs (public affairs)** and communications would benefit from a transparency policy anchored in existing and implemented legislation (e.g., Law on Free Access to Public Character Information) and full incorporation in the transparency framework of a corresponding communications strategy.
5. **The NBRNM should enhance the transparency of its financial integrity functions** by providing more information on its AML/CFT supervisory processes and practices, the results of such activities, and the manner in which AML/CFT supervision fits into the broader supervisory framework. In addition, once AML/CFT internal controls are fully implemented, information on these activities, including outcomes, also should be disclosed.
6. **Significant strengthening of the dissemination and disclosure of the confidentiality framework** (Law on Classified Information, Data Protection Officer) already implemented would enhance transparency and legal certainty.
7. **Giving a stronger institutional foundation to the Committee for Operational Monetary Policy** by disclosing its role, composition, and structure would contribute to enhancing the transparency of policy decisions. In turn, that would strengthen monetary policy effectiveness.

³ Please refer to the Detailed Review in this report for the complete overview of transparency recommendations, per principle.

8. The NBRNM should enhance the transparency of macroprudential policy objectives, as well as the expected benefits and rationale behind policy decisions. It should explain to the public what macroprudential policy aims at, emphasizing that it seeks to prevent financial crises, in particular those of systemic nature. The NBRNM should also explain how policy decisions can help mitigate these risks, mapping how policy instruments address specific risks. By enhancing transparency, the NBRNM could promote a better public understanding of macroprudential policy, which market participants claim today to be unclear.

9. Transparency of the actions related to cross-border flows and foreign exchange administration would benefit from disclosure of the internal processes for the adoption of by-laws.

10. The transparency of official relations would benefit from more comprehensive disclosure of inter-agency mechanisms involving cooperation and the exchange of information, as would the publication of agreements when the counterpart is agreeable to it.

SCOPE AND OBJECTIVE

1. **At NBRNM’s request, the mission conducted a Central Bank Transparency Code (CBT) review for the National Bank of Republic of North Macedonia (NBRNM).** This review was the second to be conducted under the CBT pilot program. The scope of the review covers all CBT principles, excluding those related to functions that are not performed by the NBRNM (i.e., consumer protection) and these will be denoted as “Non-Applicable” in the detailed review section. In addition, some of the functions performed by the NBRNM like micro-prudential supervision (banking or insurance), securities regulation, or financial market infrastructures responsibilities will not be reviewed and will be denoted as “Non-Applicable” in the review, given the existence of other established international standards that would need to be assessed separately,⁴ as these areas already have established international standards.
2. **The review is intended to allow the NBRNM to evaluate its transparency practices, by highlighting strengths and areas for improvement.** The review does not assess or pass judgement on the quality or adequacy of NBRNM’s governance and actions. Instead, it focuses on the NBRNM’s transparency practices regarding its governance and actions. The review maps the NBRNM’s transparency choices compared to a range of best practices as detailed in the CBT, covering transparency in: (i) governance; (ii) policies; (iii) operations; (iv) outcomes; and (v) official relations. While the CBT’s range of practices are not intended to be a tool for transparency ranking of central banks, the review should help strengthen the NBRNM’s dialogue with stakeholders on transparency choices and contribute to improved accountability and policy effectiveness.

APPROACH AND METHODOLOGY

3. **The mission’s review approach consisted of a desk review by the MCM mission team, a comprehensive NBRNM self-review, and in-depth discussions with NBRNM staff and key stakeholders.** The desk review is based on information disclosed by the NBRNM on its website and other media, in English or in Macedonian.⁵ Both reviews formed the basis for discussions with the NBRNM (members of the Board, management, and staff), as well as meetings with key NBRNM stakeholders to collect their views on the NBRNM’s transparency practices. The meetings with

⁴ According to the CBT Board Paper paragraph 13, “*The CBT will not assess central bank functions like micro-prudential supervision (banking or insurance), securities regulation, or financial market infrastructures responsibilities. These areas already have established international standards. The Annex I presents selected excerpts from these standards that relate to transparency, for informational purposes only. The Annex is not to be used for assessing central banks’ transparency practices and does not describe practices on the transparency of banking, insurance, and securities sectors’ supervisors, resolution authorities, and financial market infrastructures. The transparency issues in the Annex will not be assessed in the context of the CBT, but rather by respective assessors in banking, insurance, securities, resolution, and financial market infrastructures.*”

⁵ In case of Macedonian documents or webpages, the mission had these translated. It should be noted that the mission did not make a distinction between disclosure of information in English or in Macedonian for the purposes of reviewing the CBC’s transparency practices.

stakeholders were planned in coordination with the NBRNM, though NBRNM staff were not present during those meetings.

4. The review was conducted principle-by-principle taking into consideration the relevant dimensions of transparency. In addition to reviewing the NBRNM's transparency practices according to the CBT principles, important dimensions of transparency, including: (i) timeliness; (ii) periodicity; and (iii) quality of disclosure were also considered. The latter was considered in terms of accessibility and ease of understanding, especially by the general public. The review also took into account views expressed by stakeholders.

5. The review recognizes the role of the legal framework in shaping the transparency choices of the NBRNM and its impact on this review. In particular, the Law on Free Access to Public Character Information, and the Law on Classified Information and the restrictions or exemptions provided within it or in other laws underpin the NBRNM confidentiality policy. The NBRNM should clearly disclose the relevant laws and regulations, and how they may have significant impact on its transparency practices.

BACKGROUND

6. The North Macedonian economy has been affected by the pandemic. GDP growth was solid and broad based at 3.2 percent in 2019 but output declined by 4.5 percent in 2020. A rebound appears underway. The GDP growth outlook for 2021 seems strong but a sluggish vaccine rollout, tightened COVID-19 related restrictions, and a gradual recovery in remittances may slow down the recovery. Pressures on the exchange rate have eased and the NBRNM's international reserves are projected to stay around 110 percent of the Fund's Assessing Reserve Adequacy (ARA) by the end of 2021. With a backdrop of a still-negative output gap and one-off price increases due to supply side effects, inflation is expected to return to 2 percent on an annual basis. A deterioration in the fiscal position and relatively poor external financing opportunities led the authorities to request a purchase under the Rapid Financing Instrument (RFI) in April 2020.

Box 1. Central Bank of North Macedonia and Transparency over COVID-19 Measures

- **In response to the global COVID-19 pandemic, the NBRNM undertook certain measures to support the economy, including an active conduct of monetary policy and amendments to the regulatory framework for the banking sector.** In particular, the NBRNM cut its policy rate, reduced the supply of NBRNM bills available to banks (thus providing additional liquidity to the economy), revised credit risk regulation to encourage banks to restructure loans temporarily, and relaxed the loan classification standards for NPLs. The NBRNM has also reduced the base for the reserve requirement by the amount of new loans to affected sectors of the economy, extended the deadline for banks to submit their first Internal Liquidity Assessment report, in order to support the flow of credit to the economy while maintaining the quality of loan portfolios.
- **Measures to support the economy and other activities undertaken by the NBRNM were transparently communicated** through proactive and timely engagement with the general public, as well as coordination with the government (primarily the Ministry of Finance), financial regulators, the Macedonian Banking Association, and regional and international partners. The NBRNM's rapid response, and its effective communication strategy, included general announcements to the public, presentations and press conferences/addresses by the Governor, decisions by the Monetary Policy Committee and Financial Stability Committee, as well as press releases and social media messaging. As subsequently reflected by the data, these actions strengthened public trust in the NBRNM in times of crisis.
- **Examples of the NBRNM's transparency related to COVID-19 include:** (i) a special website on [COVID-19 Central Bank's response](#) creating a platform to communicate the latest announcements and articulate exceptional measures to preserve financial stability and support the Macedonian economy, and to raise awareness and responsibility through appeals to the general public for adherence to preventive health and safety measures as well as actions to ensure business continuity; and (ii) detailed disclosures, both in the 2020 annual report and the audited financial statements about the changes in the environment and relevant measures during the pandemic.

7. The North Macedonia's financial sector is bank-dominated and highly integrated in the global financial system. Banks hold over 80 percent of financial sector assets and have traditional business models relying on deposit funding and the provision of most credit to the domestic economy.

8. While the impact of the pandemic on the asset quality of the banking sector is still uncertain, risks are mitigated by a conservative regulatory framework, in particular comfortable levels of provisions for non-performing loans (NPLs). Before the COVID-19 pandemic crisis, the banking sector was well capitalized and liquid, and NPLs at relatively low levels. The financial sector was supported by regulatory flexibility, primarily through payment deferrals for both households and corporates. The NBRNM has temporarily restricted dividend payments.

9. Over the past years, governance and institutional reform have demonstrated the authorities' commitment to tackling long-standing challenges. As a result, in March 2020, the EU agreed to start accession negotiations with North Macedonia.

10. In part driven by the goal to join the EU, the NBRNM has been made an autonomous public institution, with a mandate that focuses on achieving and maintaining price stability, and with policy actions aimed at delivering exchange rate stability. Beginning in October 1995,

the NBRNM implemented a monetary policy strategy of targeting the denar exchange rate against the German mark, and against the Euro starting in 2002. The NBRNM's functions and powers include currency issuance, serving as fiscal agent, international reserve management, recording and monitoring the international credit operations, and additional functions typical of an autonomous central bank. In the area of financial stability, NBRNM's powers include regulation and supervision of financial institutions, in particular banks, and savings houses, as well as the oversight of payment, settlement and clearing systems. The NBRNM participates in the determination of the exchange rate regime, and it supervises the implementation of the regulations that govern foreign currency operations.

11. The NBRNM displays a public commitment to transparency, as reflected in its transparency practices and regular usage of transparency tools. The NBRNM appears to maintain continued efforts to strengthen its transparency practices, and it has set up tools for communication that includes publications, press releases, reporting mechanisms, and a website that discloses ample information on its functions. More recently, social media tools have been added to communicate with the public at large (see Box 2).

Box 2. Recent Initiatives of the NBRNM to improve Transparency Practices through Communication

During the last years, the NBRNM has devoted considerable effort to enhancing the disclosure of information regarding the achievement of its primary legal objectives and tasks, using a variety of tools to communicate with stakeholders. The move towards robust institutional transparency resulted in the inclusion of transparency enhancement and communication improvement as a separate strategic objective in the [Strategic Plan for 2022-2024](#).

Several initiatives were implemented and include:

- The NBRNM has broadened the scope of information communicated through press releases, doubling their number from 160 in 2016 to 300 press releases in 2020 (see Box 1 on communication enhancement due to the COVID-19 pandemic).
- The NBRNM launched a project focused on the organization of workshops for journalists to improve communication with the media and promote a better understanding of the NBRNM tasks. In 2020, the event frequency was increased from once a year to quarterly educational workshops on topics relevant for the media and the public at large.
- Communication with the media has also intensified with increased public appearances of the NBRNM management, thus enabling timely and thorough information on the NBRNM assessments and measures on all relevant issues of public concern.
- The introduction of new methods of communication like social media, as a modern way to communicate with different audiences began in 2016 (Facebook, Twitter, YouTube, and Instagram from 2019) and its usage has increased over time reaching over 400 posts on a range of topics in 2020 with 20,000 followers so far.
- The NBRNM's commitment and efforts to provide quality and comprehensive data consistent with the highest international standards were recognized when the Republic of North Macedonia became a member in SDDS plus standard at the end of 2018.

Box 2. Recent Initiatives of the NBRNM to improve Transparency Practices through Communication (concluded)

- By 2019, the NBRNM created a [modern statistical web portal NBStat](#) that allows greater flexibility for all users (independent determination of the form and contents of statistical data, according to the individual needs), easier browsing, and increased usefulness of published data.
- Since 2019, the NBRNM has put great emphasis on financial education and financial literacy. It launched a “Financial Literacy Survey” and organized several events dedicated to the topic. At the same time, the NBRNM elaborated and published educational material for younger audiences.
- Acknowledging the importance of the process of digitalization and financial innovation, the NBRNM established a communication channel called “Innovation Gateway.”

12. The NBRNM has taken actions to establish official channels of communication with its main public stakeholders. In conjunction with several public financial agencies and the Ministry of Finance, over the last two years the NBRNM has established bilateral or multi-agency arrangements to facilitate its interactions with them, with the objective to strengthen cooperation and the exchange of information. The multi-agency arrangement aims at improving the articulation of financial stability policies in general, and specifically macroprudential measures and the monitoring of systemic risk. The establishment of the newly created Financial Stability Committee is part of this effort, and it combines the following institutions: the NBRNM, the Ministry of Finance, the Securities and Exchange Commission, the Insurance Supervision Agency, the Agency for Supervision of Fully Funded Pension Insurance, and the Deposit Insurance Fund.

MAIN FINDINGS

A. Pillar I. Transparency in Governance

13. The legal structure of the NBRNM, including its legal nature, mandate and autonomy, are all well disclosed. The Constitution of North Macedonia and the Law on the NBRNM clarify the legal structure of the NBRNM, and the latter is accessible on the NBRNM website. Nevertheless, the disclosure of information regarding the legal framework could be enhanced by explaining in an easily accessible manner on the website the legal framework applicable to the NBRNM, as well as the rationale behind it.

14. The NBRNM discloses its organizational structure and the functions of the Council, the governing body of the NBRNM. The Law on the NBRNM contains a clear description of the composition and functioning of the NBRNM Council, as well as the allocation and interaction of the Council with the Governor who is tasked with the implementation of the policies adopted by the Council, and the management of the NBRNM. The oversight function of the Council is clear from the Law on the NBRNM. However, the NBRNM website does not contain a description of the responsibilities of the Governor and of the NBRNM Council in a manner that is easily accessible for the public. Also, information on the committees of the NBRNM is lacking both in the Law on the NBRNM and on the NBRNM website.

15. While the NBRNM clearly discloses its objectives, the description of the NBRNM’s functions in the Law on the NBRNM and on the website is not comprehensive. In particular, the NBRNM’s macro-prudential function is neither listed in the Law on the NBRNM, nor easily accessible on the website.

16. Disclosures on risk management could be enhanced, in particular with respect to risk governance and developments in operational risk. The NBRNM’s risk exposure is mainly focused on financial risks and disclosed as an integral part of foreign reserves management, while information about operational risk is very limited. In addition, the disclosures lack an institutional view on the bank’s risk management framework and respective governance arrangements, and they are not reflective of current developments to strengthen risk management practices following recent IMF technical assistance. To further improve transparency in this connection, the NBRNM could consider disclosing a risk statement (e.g., separate chapter on risk management in the annual report, dedicated section on the website) that explicitly provides: (i) a high-level overview of the key risks clearly mapped to its mandate; (ii) the process, governance arrangements, and strategy for the management of financial and non-financial risks across the bank.

17. The disclosure of the NBRNM’s oversight arrangements is well developed but the description on the website could be enhanced. The Law on the NBRNM establishes the Council as an independent oversight body. However, while the NBRNM has established an Audit Committee, it is not regulated in the Law on the NBRNM. While the Charter of the Audit Committee is available on the website of the NBRNM, consideration could be given to disclosing in an easily accessible manner on the website the Audit Committee’s role, responsibilities, reporting lines, and composition.

18. The disclosure of the NBRNM’s accountability is well developed. The Law on the NBRNM contains clear provisions on the NBRNM’s reporting to Parliament and Government, and the website of the NBRNM lists these accountability provisions. The scope of the audits by the State Audit Office is also specified in the Law on the NBRNM, and it also establishes the Council as an independent oversight body. In addition, the NBRNM publishes a complete set of financial statements prepared and audited in compliance with international standards, and the Law clearly provides for internal and external audit mechanisms. For further transparency on the latter, the NBRNM could: (i) clarify the rules governing the internal audit function and its reporting structure; and (ii) disclose its external audit rotation policy, including criteria for the selection of external auditors.

19. Consideration should be given to increase transparency on governance and the management of human capital. While the NBRNM relies on an array of internal policies and regulations for the management of human resources (e.g., employment, performance management, professional development, promotion, and remuneration), the disclosures in these areas are very limited primarily due to legal restrictions under the confidentiality regime. In line with the authorities’ stated top priority to further develop a modern and competent human capital management framework (*Strategic Plan 20-22*), information about leadership, succession planning, diversity and inclusion could be provided. In addition, the NBRNM could disclose the applicable

policies for attracting, promoting and retaining employees. The mission was informed that the NBRNM is working on expanding the employment section on the website to provide more information about careers, key values, and opportunities for professional and career development.

20. The NBRNM discloses some information on anti-corruption policies and measures but further clarity on the applicable framework is needed. The 2019 Law on Prevention of Corruption, the 2010 Law of National Bank, and NBRNM's 2011 Code of Ethics lay out prescriptions and prohibitions on the conduct and activities of National Bank staff.⁶ However, disparities in the language of these governing documents (Law on Prevention of Corruption, Law of National Bank, and NBRNM's 2011 Code of Ethics) generate confusion and ambiguity in the applicability of national anti-corruption policies and measures. Legal provisions (and provisions in the Code of Ethics) should be harmonized to avoid conflict. Further, while the Law of the National Bank and the Code of Ethics are readily available on the National Bank's website, no references to the Law on Prevention of Corruption are made in any of the National Bank documents. Such references should be drawn to ensure visibility into all applicable legal provisions and to avoid any uncertainty as to the applicability of the national framework.

21. The NBRNM discloses information on its Code of Ethics, but discrepancies with the national anti-corruption framework should be resolved and/or explained. The NBRNM imposes specific requirements on expected behavior of its staff in its Code of Ethics. NBRNM staff are instructed to act with integrity, impartiality, professionalism, and other guiding ethical principles, and to avoid conflicts of interest; they are prohibited from receiving gifts, benefits, or other remuneration. According to NBRNM Law, NBRNM Council members are required to disclose significant financial interests. These guidelines and obligations are in line with similar provisions in the Law of the NBRNM but are not sufficiently aligned with provisions in the Law on Prevention of Corruption. The Code of Conduct was prepared in 2011 and is available on the NBRNM's website in Macedonian. A new Code of Conduct is currently being developed and is intended to be published in both Macedonian and English. Discrepancies should be resolved in the new Code or at a minimum explained.

Communications and Confidentiality

22. The NBRNM implements a comprehensive set of tools for communication, and it has an expansive calendar of events in its public relations activities, but challenges remain to establish a structured policy and strategy on communications to effectively convey the NBRNMs' messages to the general public. The NBRNM may consider developing a strategy and policy on communications based on its general strategic plan to effectively enhance its engagement with targeted stakeholders and the general public. Among various official tools, the NBRNM website (in Macedonian, Albanian and English) is the more commonly used by the public. To increase accessibility and ease of understanding the website may have the same content in Macedonian as

⁶ In August 2021, the NBRNM Council adopted Policy on Prevention of Occurrence of Corruption. With this policy published on NBRNM's website, the NBRNM demonstrates its commitment to prevent of corruption and to undertake activities for prevention and reduction of the risk of corruption.

well Albanian and English in non-technical language, and in a timely and simultaneous manner. Quality and quantity of information available on the website is satisfactory, although search methods could be enhanced by allocating (press releases) not only by date but also by specific topics. The NBRNM should continue expanding its educational outreach programs for North Macedonian journalists, students and citizens. The NBRNM could actively promote its messages broadly through mass and social media, and other modern tools to better engage with the general public.

23. The Law on Classified Information provides a framework for confidentiality matters that should be explained on the NBRNM website. The NBRNM confidentiality policy is established mostly in the Law on Classified Information, and the NBRNM Law (Article 74) and correspondent by-laws. It specifies the NBRNM functions that are considered as confidential, with different degrees of confidentiality. It also establishes the circumstances under which the NBRNM is allowed by law to share such information. We encourage the proactive dissemination (including publication on the website) of the NBRNM confidentiality system (legislation) as well as its means of implementation (Data Protection Officer) to enhance legal certainty and to strengthen the transparency policy of the NBRNM. The NBRNM should continue with its practice of dissemination and disclosure of agreements with international counterparts that have made public their relationship or agreement with the NBRNM, or where there is an interest to make it public.

B. Pillars II, III, and IV. Transparency in Policies, Operations, and Outcome

Monetary Policy

24. The NBRNM discloses the objectives and the policy framework supporting monetary policy. Market participants can access this documentation through the NBRNM website. Especially relevant is the explanation about how monetary policy is implemented and the role played by maintaining exchange rate stability—as the intermediate target—for achieving a low level of inflation. The NBRNM also discloses the results of monetary policy decisions, in particular about the key policy rate, by issuing press releases on the day following the Committee for Operational Monetary Policy meetings, as well as publishing an extensive set of data and information on a timely basis. Yet the process by which decisions are taken is not disclosed. The NBRNM does not publish information about the Committee for Operational Monetary Policy, including about its role, composition, and how it operates.

25. The NBRNM discharges its accountability responsibilities by sending a report to the Parliament (including its financial statements) explaining the monetary policy decisions adopted to fulfill the overarching objective of preserving price stability. The NBRNM is also accountable to the public as it disseminates various reports on a regular basis (annually, quarterly, and monthly), various press releases, and by public appearances of the NBRNM Governor and high-ranking officials to explain the conduct of monetary policy and the main risks confronting the economy for the achievement of the monetary policy objective. In addition, in May and November, the NBRNM publishes short- and medium-term macroeconomic forecasts and their likely effect on

future monetary policy, including comparisons with previous forecasts. A more structured analysis is prepared in the Recent Macroeconomic Indicators, Review of the Current Situation, which is published on a monthly basis.

26. The NBRNM discloses its monetary operational framework, including well-defined operational targets, objectives, and tools. The critical components of the framework are explained in several descriptive sections of the website as well as in the NBRNM's Decisions governing the use of the monetary policy instrument (i.e., discretionary open market operations, standing facilities, policy rate, and reserve requirements), all of them available on its website and updated in a timely fashion. A detailed discussion of the use of the various monetary policy instruments is included in the periodic publications of the NBRNM (i.e., Monthly Latest Macroeconomic Indicators, Quarterly Report, and Annual Report). Historical (including daily) data is made available on the website, covering the autonomous factors of bank liquidity, flows and stock of the various monetary instruments, and the level of fulfilment of the reserve requirements. In addition, the amount of liquidity that banks can obtain from the NBRNM based on the amount of their actual level of accepted collateral is disclosed on a daily basis on a NBRNM's electronic system used for repo operations with the banks. The categories of monetary policy counterparties and respective access criteria are clearly defined and disclosed in the NBRNM's decisions. The development of a comprehensive counterparty framework would enhance further transparency, as would public disclosure of the composition, function and responsibilities of the Operational Monetary Policy Committee.

Foreign Exchange and Reserves Management

27. The monetary policy regime – which involves targeting the denar exchange rate against the euro -- is clearly disclosed. Several publications explain the operational framework, namely FX interventions of the NBRNM within a narrow fluctuation band of bid-ask exchange rates determined by the Committee for Operational Monetary Policy. This leads to frequent FX interventions of the NBRNM in the domestic FX domestic market that are well understood by counterparties that transact with the NBRNM in a transparency way through its electronic trading platform. Counterparties have also to comply with a disclosed uniform market-maker contract.

28. Transparency practices with regard to actual FX interventions provide stakeholders (most notably financial institutions active in the domestic FX market, but also the wider public) ample information on the outcomes of NBRNM's actions. The periodic publication of the NBRNM ((i.e., Monthly Latest Macroeconomic Indicators, Quarterly Report, and Annual Report) provide historical data on the NBRNM's FX interventions. On a daily basis, data on volume turnover on the domestic FX market is provided in the NBRNM website, and the Annual Report presents an overview of the activity of the market and related NBRNM FX interventions. Monthly disclosure of whether specific instruments were bought or sold by the NBRNM would enhance further transparency.

29. The NBRNM discloses issues relating to cross-border financial flows and foreign exchange administration. This includes information on objectives, framework, and decisions. The

NBRNM website has separate sections on foreign exchange regulations. In regard to cross border financial flows and foreign exchange administration, the NBRNM assumes a dual role. It is either a supervisor of the compliance of the main regulations (laws approved by the Parliament) and it also formulates by-laws that complement the existing laws. The requirements of the Stabilization and Association Agreement (SAA), in which authorities agreed to take measures for the creation of the necessary conditions for the further application of EU rules on the free movement of capital, are not disclosed by the NBRNM and references to the SAA could enhance transparency. Disclosure of the procedures followed for the preparation of relevant NBRNM's decisions and additional information on the supervisory activity of the NBRNM would also be helpful.

30. The NBRNM's transparency practices for FX reserve management are reasonably well defined but could benefit from further improvement. The NBRNM provides clear information on managing the international reserves. The Foreign Reserves and Investment Policy contains useful information on portfolio composition, eligible asset classes, risks considered and monitoring procedures. The Annual Report contains a section with useful description of the decisions and results achieved. A dedicated report on the Foreign Reserves could provide more disclosure on the practices and decisions made, as well as the supporting analysis for the decisions. More disclosure on the practices and ex-post analysis of impact of investment and risk assessment, including the reasons for the actions taken could help improve transparency. More information on the selection of benchmarks could also increase transparency.

Financial Stability and Macprudential Policies

31. The NBRNM has taken actions to respond to the interest of the general public for deeper engagement on financial stability issues. The NBRNM's consistent track record with regard to macroeconomic outcomes has helped cultivate a high level of public trust and support that the NBRNM is building on through further enhancements in transparency and communication. This track record has placed additional pressures on NBRNM's transparency practices with regard to financial stability. The NBRNM's enhanced use of social media tools in addition to its other communications has provided very useful avenues to respond more effectively to targeted audiences, and it should be continued.

32. The NBRNM periodically and at pre-set intervals discloses its comprehensive assessment of risk to financial stability. The results of the quarterly sensitive analysis stress test, and of the annual macro stress tests are disclosed, as well as the methods and underlying data used for such assessments. The NBRNM also publishes on a quarterly basis FSIs and other financial stability indicators of the banking system, and the annual Financial Stability Report includes a discussion on new and emerging vulnerabilities in the Financial Sector. The planned disclosure of the results of the ongoing bottom-up stress test exercise, as well as their use for supervisory purposes will enhance further transparency, as would the disclosure of whether and how aggregate stress tests results may affect policy decisions as well as other aspects of the NBRNM dealing with financial institutions.

33. While the NBRNM does not have an explicit mandate to undertake macroprudential policy, the Law on the NBRNM and the Banking Law empower the NBRNM to safeguard the stability of the financial system and to undertake adequate measures. On this basis, the NBRNM has introduced a wide range of macroprudential policy instruments, which aim at safeguarding the stability of the banking system. Changes to the parameters of macroprudential instruments are publicly disclosed.

34. While the decision on macroprudential parameters are publicly announced, the decision-making process leading up to macroprudential action are known for the capital buffers in place but not for the rest of the macroprudential policy instruments. In general, the NBRNM does not disclose how it maps macroprudential instruments with the corresponding systemic financial risks and does not explain how macroprudential policy decisions can help mitigate these risks. Furthermore, in general there is no clear explanation to the public about the rationale and benefits of macroprudential policy and its instruments. As a result, market participants have no clear understanding as to what macroprudential policy aims at. They do not associate macroprudential regulation with the objective of preventing the buildup of systemic risks.

C. Emergency Liquidity Assistance

35. The NBRNM's emergency liquidity assistance (ELA) framework, which so far has never been activated, is appropriately disclosed on the website. Disclosures encompass the scope, objectives, rules, and procedures of ELA operations, in particular their differentiation from standard system-wide monetary operations. As the ELA framework has never been activated so far, the NBRNM had not had opportunities to exercise discretion in that regard due to the confidentiality considerations attached to the provision of ELA.

Financial Integrity

36. The NBRNM discloses general information on its AML/CFT supervisory powers and processes but only limited information on actual supervisory practices. The NBRNM provides an overview of its AML/CFT supervisory powers and policies, although the Law on Money Laundering Prevention is referenced in the Law of the NBRNM. Further, NBRNM's AML/CFT role is not mentioned in all documents describing their supervisory function and approach. The NBRNM discloses only general information on its AML/CFT supervisory activities for banks and no information on its AML/CFT supervision of certain non-bank financial institutions (designated in the Law on Money Laundering Prevention). In contrast to the wealth of information disclosed on other supervisory activities, the NBRNM does not release information on the human and technical resources allocated to AML/CFT supervision, nor on the outcomes of such supervision. The Law on Money Laundering Prevention is available on the NBRNM's website in Macedonian. More information on AML/CFT supervisory activities and practices, as well as on how these activities fit into the broader supervision framework, would greatly enhance transparency in this area.

37. The NBRNM discloses some information on recently established internal AML/CFT controls. In March 2021, the National Bank adopted a policy to address ML/TF risks that could arise

in the conduct of its operations and activities, although the policy is not yet fully implemented. The policy—including information on dedicated staff and functions, as well as information on internal AML/CFT control activities (some of which have commenced and are stipulated in more detail in the internal procedures and some of which are anticipated), is an internal act and is not publicly available. However, given that not all AML/CFT internal controls are yet in effect, no information is currently available on the outcomes or oversight of such controls.

D. Pillar V. Transparency in Official Relations

38. There is room for improvement in the NBRNM’s disclosure practices of its official relations with the government and domestic public financial agencies. Important information regarding the NBRNM’s interaction with the government and public financial agencies could be disclosed to the public in a more detailed manner, such as disclosures of MoUs and other actions implemented for cooperation and the exchange of information. This will enhance public understanding of the role and actions of the NBRNM and possible shared responsibilities in functions done in conjunction with other public financial agencies.

39. We encourage the disclosure of the texts of cooperation agreements, Memorandums of Understanding (MoUs), or other arrangements between the NBRNM and foreign agencies. We encourage the practice of disclosing the interaction with international organizations, other central banks, or any other international agent that allows it or even wants to publish its interaction with the NBRNM. The disclosure of such information would explain to the public the importance and benefits of these relations.

DETAILED REVIEW

40. This review is based on the current state of NBRNM’s transparency practices. The mission took place during May 19–June 4, 2021, and initiatives implemented after the review date have not been considered.

41. In accordance with the CBT, this review does not assign ratings to the NBRNM’s adherence to the CBT principles. The review maps the NBRNM’s transparency practices across a range of best practices. Furthermore, the NBRNM transparency practices were reviewed in the context of the NBRNM’s legal mandate and policy context, the sophistication and complexity of the financial system of North Macedonia, and prevailing general legal framework (including, but not limited to, the existence of rules on freedom of information, confidentiality, and active transparency).

42. The review team examined the NBRNM’s transparency practices and tools, relevant laws and policies, and held meetings with some members of the NBRNM Council, management and staff, and key stakeholders. The meetings with stakeholders were intended to ascertain the adequacy of and identify gaps in NBRNM transparency practices from their perspective. The team met with members of Parliament, staff of the NBRNM, members of the Council of the NBRNM, the Minister of Finance and staff from the Ministry, staff from the Deposit

Insurance Fund, the Agency for supervision of fully funded pension insurance, the Insurance Supervision Agency, the Securities and Exchange Commission, and local and foreign financial institutions, as well as representatives from the banking association, and various other stakeholders (such as academics, the media, the Chamber of Commerce, the Delegation of the European Union). The NBRNM provided a comprehensive self-review of the CBT, detailed responses to additional questionnaires, and access to relevant public documents.

43. Reaching conclusions based on the CBT review of the NBRNM required judgments by the review team. Central banks, the environment in which they operate, and domestic circumstances differ from one country to another. Nevertheless, by adhering to a common, agreed methodology, the review should provide the NBRNM with an internationally consistent benchmark for its transparency practices.

44. The team appreciated the very high quality of cooperation received from the NBRNM. The team extends its warm thanks to the staff of the NBRNM, who provided excellent cooperation, including provision of self-review, documentation, technical support, as well as facilitating the mission meetings schedule.

Table 2. Central Bank Transparency Code—Detailed Review

Central Bank of the Republic of North Macedonia	
Pillar I—Central Bank Governance	
Principle 1.1.	Legal Structure: The central bank discloses its legal framework to the public in a manner that is clear and easily accessible.
Description	<p>Legal Framework: The National Bank (NBRNM) discloses its legal framework to the public. The Law on the National Bank (unofficial consolidated version) is available on the website of the NBRNM. All decisions and instructions that have a general application are published in the Official Gazette, as well as on the website of the National Bank, www.nbrm.mk.</p> <p>The Law on the National Bank clarifies the transitional arrangements which are limited in time. It also contains a Chapter of provisions that shall only apply as of the date of accession of the Republic of North Macedonia to the European Union, respectively the date of the introduction of the Euro as the currency of the Republic of North Macedonia. While legally clear, this is not explained to the public on the NBRNM’s website in an easily understandable manner.</p> <p>In addition to the Law on the National Bank the NBRNM is governed by the Constitution and other relevant legislation. The website of the NBRNM contains links to other legislation governing the NBRNM’s mandate. Specifically, copies of the Banking Law, the Law on Foreign Exchange Operations, the Law on Payment Operations, the Law on the Macedonian Bank for Development Promotion and the Law on Providing Fast Money Transfer Services can be found on the NBRNM’s website.</p> <p>However, other relevant laws that are not listed and/or not explained in general terms on the NBRNM website. This applies for instance to:</p> <ul style="list-style-type: none"> • The Law on Money Laundering Prevention and other Criminal Proceeds and Financing of Terrorism (which is relevant for the NBRNM’s supervisory powers on AML/CFT), • The Law on the Prevention of Corruption and Conflicts of Interest (applicable to National Bank Council members, and • The Law on Public Procurement (applicable <i>inter alia</i> to the selection of the NBRNM’s external auditors). <p>The Law on the National Bank provides that insofar as it does not regulate its organization and operation, the provisions of other laws that do regulate such matters shall apply. Also, the Law on the National Bank shall not be amended or</p>

	<p>superseded by other laws. While legally clear, the website of the NBRNM does not explain the NBRNM's legal framework in an easily understandable manner to the public.</p> <p>Legal Nature: The Law on the National Bank establishes its legal nature, its ownership, its general legal capacity to act and instruments. The Notes to the Financial Statements clarify that the capital of the National Bank is owned by the Republic of North Macedonia and can be neither transferred nor be subject to any encumbrance. However, the NBRNM's website does not explain the legal nature of the NBRNM in an easily understandable manner.</p> <p>Legal Protection: The Law on the National Bank clarifies the NBRNM's immunity from attachment and the extent of the NBRNM's liability for damages from its actions, or omissions, in the pursuit of its mandate. However, the judicial review over the NBRNM's activities, including its ability to impose misdemeanor sanctions on third parties in the event of their non-compliance with specific requirements, is not explained in an easily accessible manner.</p>
Review	<p><i>Core</i></p> <p>Legal Framework: The website of the NBRNM contains a link to Law on the National Bank, a discussion of its main functions and a link to the NBRNM decisions and instructions that have a general application. The legal framework which the NBRNM adopts with respect to financial institutions is disclosed. The website also contains links to other legislation governing the NBRNM's mandate, but this is not a complete overview (see above for the most relevant examples). The Law on the National Bank contains a general description of the relation and interaction between said Law and the provisions in other laws that are relevant to its organization and operation. However, the interaction and overlap between these laws is not explained in an easily understandable manner for the public. Notably, the interaction between the Law on Administrative Servants (which defines the NBRNM employees performing administrative tasks as administrative officers) and the mandate for the NBRNM's Council to adopt the general terms and conditions of employment for its staff is unclear. The NBRNM is currently engaged in efforts to clarify this via draft amendments to the Law on Administrative Servants.</p> <p>The dependence of the applicability of certain provisions on the accession of the Republic of North Macedonia to the European Union, respectively the introduction of the Euro as the currency of the Republic of North Macedonia is not explained to the public on the NBRNM's website in an easily understandable manner. In summary, the website of the NBRNM does not explain the NBRNM's legal framework in an easily understandable manner to the public.</p>

	<p>Legal Nature: The legal nature and the ownership of the NBRNM is defined in the Law on the National Bank and also disclosed in the Notes to the Financial Statements of the NBRNM. However, the information is not explained clearly on the NBRNM website, nor in other publications.</p> <p>Legal Protection: The legal protection is mainly clarified in the Law on the National Bank’s provisions. This is relatively easy to access for people who are interested in the issue. However, the information is not explained clearly on the NBRNM website, nor in other publications.</p>
Comments	<p>Transparency could be enhanced by explaining on the NBRNM website the legal framework, legal nature and legal protection of the NBRNM in an easily understandable manner for the public.</p> <p>As discussed below, the website could also provide a dedicated section with some information on the relationship between the NBRNM and EU authorities. This section could explain the dependence of the applicability of certain provisions on the accession of the Republic of North Macedonia to the European Union, respectively the introduction of the Euro as the currency of the Republic of North Macedonia.</p>
Principle 1.2.	<p>Mandate: The central bank discloses its mandate—including its objectives, functions, and legally defined powers—in a manner that is clear and easily accessible to the public.</p>
Description	<p>Objectives: The NBRNM’s objectives are specified in the Law on the NBRNM and also disclosed on its website. Indeed, both the Law on the NBRNM and the website clarify the primacy of the price stability objective and the hierarchy between this objective and the other objectives of the NBRNM; i.e. without prejudice to price stability, the contribution to the maintenance of a stable, competitive and market-based financial system and the support to the Government’s general economic policies without jeopardizing the achievement of primary objective and in conformity with the principle of open market economy and free competition. The NBRNM’s degree of autonomy does not vary with respect to its different objectives.</p> <p>Functions: The Law on the NBRNM and the website disclose the functions of the NBRNM. With respect to monetary policy the website explains the monetary policy design, the objectives for monetary policy, the interest rate policy and monetary transmission mechanism, as well as the monetary policy instruments.</p> <p>However, the description of the functions on the website of the NBRNM is not comprehensive. In particular, the function of the NBRNM as the AML/CFT</p>

	<p>supervisor for the banking sector, and the design and conduct of the exchange rate policy are not discussed on the website.</p> <p>In addition, based on the NBRNM's objective to contribute to the maintenance of a stable, competitive and market-based financial system, the NBRNM conducts macro-prudential policy. However, this is also not easily accessible on its website.</p> <p>The NBRNM publishes on its website its Strategic Plan, as well as annual Plans of Activities, and Reports on the implementation of these Plans of Activities. These publications provide information on the manner in which the NBRNM implements its functions.</p> <p>Powers: The list of the NBRNM's public and private law powers to achieve its objectives are clarified in the Law on the NBRNM. Moreover, the Law on the NBRNM contains a clear list of the NBRNM's prohibited activities.</p>
Review	<p><i>Expanded</i></p> <p>Objectives: The NBRNM's objectives are clearly specified in the Law on the NBRNM and also disclosed on its website. However, the NBRNM's financial stability objective, which is defined as contribution to the maintenance of a stable, competitive and market-based financial system, might not be easily understandable to the public.</p> <p>Functions: The Law on the NBRNM and the website disclose the functions of the NBRNM. However, the website's description of the NBRNM functions is not comprehensive. In particular, the function of the NBRNM as the AML/CFT supervisor for the banking sector, and the design and conduct of the exchange rate policy are not discussed on the website. In addition, based on the NBRNM's objective to contribute to the maintenance of a stable, competitive and market-based financial system, the NBRNM conducts macroprudential policy. However, this is not easily accessible on its website.</p> <p>Powers: The list of the NBRNM's public and private law powers (including its prohibited activities) are clearly listed in the Law on the NBRNM.</p>
Comments	<p>The transparency of the NBRNM's functions could be enhanced by a comprehensive list and description of all the NBRNM's functions on the NBRNM website. In this respect, the disclosure could be enhanced by clarifying the NBRNM's financial stability objective, and especially the NBRNM's functions and powers regarding macro-prudential policy. In addition, the existing MoU for financial stability could be disclosed in a more comprehensive manner on the NBRNM website.</p>

Principle 1.3.	Autonomy: The central bank discloses its autonomy—as defined in relevant legislation or regulations, allowing it to reveal the extent to which it is autonomous or not, in what forms, and under which conditions—in a manner that is clear and easily accessible for the public.
Principle 1.3.1.	Institutional/Operational Autonomy: There is clarity on whether the central bank is prohibited from seeking or taking instructions from any private or public body. The extent to which the central bank’s autonomy varies for the various elements of its mandate is clearly disclosed. Where appropriate, the central bank’s governing law clarifies whether it has goal or instrument autonomy concerning its various objectives.
Description	<p>The Constitution of the Republic of North Macedonia, provides that the NBRNM is autonomous. The Law on the NBRNM stipulates that the NBRNM shall be autonomous and accountable in the pursuit of its objectives and the performance of its tasks as provided for in this Law.</p> <p>The NBRNM, the NBRNM Council members and the NBRNM 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. The Law on the NBRNM adds that the autonomy of the NBRNM shall be respected at all times and no person or entity shall seek to influence the NBRNM Council members or staff in the performance of their functions (i.e. operations) or to interfere in the activities of the NBRNM.</p> <p>Under the heading of monetary policy design the website of the NBRNM explains the autonomy of the NBRNM.</p> <p>The Law on the NBRNM clarifies that third parties may only attend the meetings of the NBRNM Council upon invitation.</p> <p>The NBRNM has concluded various MoUs with governmental agencies and ministries, which provide for exchange of information and cooperation on a range of topics. However, these MoUs are not disclosed on the website.</p>
Review	<p><i>Comprehensive</i></p> <p>Both the Constitution and the Law on the NBRNM clearly stipulate that the NBRNM shall be autonomous and accountable in the pursuit of its objectives and the performance of its tasks as provided for in this Law. The explicit limitation in the Law on the NBRNM of audits conducted by the State Audit Office contributes to clarifying the NBRNM’s institutional autonomy.</p>

	<p>However, the description of the NBRNM's autonomy on the website of the NBRNM describes how this is implemented in practice, as well as the rationale for the autonomy of the NBRNM. However, this description focuses on the NBRNM's price stability objective and monetary policy. This could give rise to the mistaken impression that the NBRNM's autonomy is only applicable to monetary policy, which is not the case. Moreover, the MoUs on the exchange of information and cooperation between the NBRNM and governmental agencies, and ministries are not disclosed on the website.</p>
Comments	<p>Transparency could be enhanced by explaining on the website of the NBRNM that the NBRNM is autonomous and accountable in the pursuit of all its objectives and the performance of its tasks as provided for in the Law on the NBRNM. Also, the various MoUs on the cooperation and exchange of information between the governmental agencies, ministries and NBRNM could be disclosed on the website.</p>
Principle 1.3.2.	<p>Functional Autonomy: There is clarity on whether the central bank can perform its duties without prior approval from the government.</p>
Description	<p>The Law on the NBRNM stipulates that the decisions of the NBRNM Council shall not be approved, revoked, annulled or amended by any government authorities, municipal bodies, bodies of the City of Skopje and any other legal entities and/or natural persons.</p>
Review	<p><i>Expanded</i></p> <p>The Law on the NBRNM provides that the decisions of the NBRNM Council shall not be approved, revoked, annulled or amended by any government authorities, municipal bodies, bodies of the City of Skopje and any other legal entities and/or natural persons. Therefore, the Law on the NBRNM clearly regulates the functional autonomy of the NBRNM.</p> <p>As already noted under Principle 1.1 the interaction and overlap between the Law on Administrative Servants (which defines the NBRNM employees performing administrative tasks as administrative officers) and the mandate for the NBRNM's Council to adopt the general terms and conditions of employment for its staff is unclear.</p>
Comments	
Principle 1.3.3.	<p>Personal Autonomy: Whether there is security of tenure for the members of the central bank's decision-making bodies is clear, as is the nature of such security. In this respect, security of tenure encompasses the eligibility and disqualification criteria for the appointment of the members of a central bank's decision-making bodies, the appointment procedure, the dismissal criteria and procedure, their remuneration, and the duration of their tenure.</p>

Description	<p>The Law on the NBRNM contains the eligibility and disqualification criteria for the appointment of the Governor, Deputy Governors and the non-executive members of the NBRNM Council. They are appointed for a seven-year term that may be renewed.</p> <p>The Law on the NBRNM provides the procedure for the appointment of the Governor, Deputy Governors and the other members of the NBRNM Council. Specifically, the Governor shall be appointed by the Parliament of the Republic of North Macedonia, on a proposal of the President of the Republic of North Macedonia. The Vice Governors shall be appointed by the Parliament of the Republic of North Macedonia, on a proposal of the Governor. The non-executive members of the NBRNM Council shall in turn be appointed by the Parliament of the Republic of North Macedonia, on a proposal of the Government of the Republic of North Macedonia.</p> <p>According to the Law on the NBRNM the term of office of a member of the NBRNM Council terminates: (i) after the expiry of the term of office; (ii) in the event of death; (iii) resignation; or (iv) dismissal. Both the dismissal grounds and the procedure for the dismissal of any member of the NBRNM Council are detailed in the Law on the NBRNM.</p> <p>Specifically, the Parliament of the Republic of Macedonia shall dismiss, depending on whether the decision concerns the Governor, or a non-executive member of the NBRNM Council, on the recommendation of either the NBRNM Council, the Governor, or the President of the Republic of Macedonia (and as appropriate after the Governor, or the President have consulted the NBRNM Council).</p> <p>The Law on the NBRNM prevents former members of the NBRNM Council to 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.</p> <p>Under the heading of “transparency” the website of the NBRNM lists the articles in the Law on the NBRNM that apply to the appointment, termination of term, resignation and dismissal of members of the NBRNM Council.</p> <p>The Notes to Financial Statements contain information on the remuneration of key management of the NBRNM.</p>
Review	<p><i>Expanded</i></p> <p>The Law on the NBRNM clearly sets out the provisions governing the appointment, termination of term, resignation and dismissal of members of the NBRNM Council. In particular, the so-called double veto procedures which govern</p>

	<p>both the appointment and dismissal of the members of the NBRNM Council serve to ensure the transparency of these decisions (see above).</p> <p>The website of the NBRNM merely lists the articles in the Law on the NBRNM that apply to the appointment, election, termination of term, resignation and dismissal of members of the NBRNM Council. While these provisions exist, they are not easily accessible and understandable for the general public.</p>
Comments	<p>Transparency could be enhanced by including on the website of the NBRNM an explanation in general terms of the rules governing the appointment, election, termination of term, resignation and dismissal of members of the NBRNM Council as they are not easily accessible to the general public.</p>
Principle 1.3.4.	<p>Financial Autonomy: The central bank's financial resources available to fulfill its mandate, and the nature of those resources, are clearly disclosed. In this respect, there is clarity regarding the central bank's capital, the rules governing any recapitalization of the central bank, its budget, reserves, provisions, profit distribution mechanism, monetary financing, and applicable accounting standards.</p>
Description	<p>The financial autonomy of the NBRNM is enshrined in the Law:</p> <ul style="list-style-type: none"> • According to Article 3, the NBRNM shall be a legal entity having administrative, financial and management independence. • Provisions on the NBRNM's financial resources to fulfill its mandate, including arrangements regarding its capital, general and special reserves, profit calculation and distribution mechanism, as well as recapitalization are stipulated in Articles 12-16. The Law adds that the capital cannot be encumbered or reduced, and also includes strict rules on monetary financing (Article 44). • The NBRNM prepares its own annual budget-financial plan, which is adopted by the banks' Council prior to the commencement of the financial year and communicated to Parliament for information (Articles 47.14 and 66). • The general terms of employment, including allowances and benefits for the staff of the NBRNM are determined by the NBRNM Council (Article 47.13), as specified by the Law and Labor Relations Law (with some staff being subject to Law on Administrative Servants). <p>Disclosures on the above arrangements are also detailed in the annual financial statements, which are prepared in accordance with International Financial Reporting Standards (Article 60) and issued within four months after the December-end of each financial year.</p>

	<p>In addition, financial autonomy is reflected in the three-year strategic plan that includes a projected balance sheet, plan of operational costs, and planned investments. The strategic plan, adopted by the Council, forms the basis of an annual plan of activities and is published on the bank's website (https://www.nbrm.mk/ns-newsarticle-strategiski-plan-na-narodnata-banka-za-periodot-2020-2022-godina-en.nspix, Plan of the NBRNM 2020-2022).</p>
Review	<p><i>Expanded</i></p> <p>The NBRNM's arrangements on financial autonomy are well regulated in the Law and clearly detailed in the disclosure notes on the audited financial statements. However, the rationale for financial autonomy is not explicitly communicated. In addition, clarity is lacking with respect to the implications of the Labor Relations Law and Law on Administrative Servants for the NBRNM's budget and determination of employment salaries and benefits by the Council (see above under Principle 1.1).</p>
Comments	<p>While financial autonomy of the NBRNM can be implied from the specific information in the Law and the financial statements, transparency could be enhanced if: (i) an explicit positioning and description of financial autonomy would be provided under the "transparency" section on the website and clearly communicated by explaining the rationale behind the different elements in the legal framework; and (ii) the said section also includes a general description of the relation and interaction between the NBRNM Law and the provisions in other laws that are relevant to its organization, operations, and conditions of employment (namely Labor Relations Law and Law on Administrative Servants).</p>
Principle 1.4.	<p>Decision-Making Arrangement: The central bank discloses a clear overview of the organizational structure or allocation of responsibilities to its decision-making bodies: policy making, day-to-day management, and internal oversight of the central bank.</p>
Description	<p>Decision-making bodies: The Law on the NBRNM defines the NBRNM Council shall be the governing body of the NBRNM (the members are the Governor, three Deputy Governors and five non-executive members). The NBRNM Council is charged by law with the formulation and the supervision of the implementation of the policies, and the supervision of the operations of the NBRNM.</p> <p>The Law on the NBRNM stipulates that the Governor of the NBRNM shall be the Chairperson of the NBRNM Council and shall serve as the chief executive of the NBRNM in charge of its day-to-day operations, while the Deputy Governors shall assist the Governor in conducting the day-to-day operations of the NBRNM.</p> <p>The Law on the NBRNM enables the Governor to, within the rules adopted by the NBRNM Council, delegate any of his or her powers or tasks to other members of the NBRNM Council or to the staff with special authorizations and responsibilities</p>

in the NBRNM. The non-executive members shall take part in the decision-making of the NBRNM.

The website does not contain any information on the role of the Governor. As for the NBRNM Council, the relevant tab on the website simply refers the reader to the relevant Article in the Law on the NBRNM. The website does however contain the CVs of the members of the NBRNM Council.

As provided in the Law on the NBRNM the members of the NBRNM Council have a fiduciary obligation to the NBRNM and shall act solely in the interest of the objectives and tasks of the NBRNM.

Organizational structure: The NBRNM discloses a clear overview of its [Organizational chart](#) on its website. This detailed Organizational Chart identifies the reporting line and the names of the responsible managers (i.e. the Governor, Deputy Governors, Secretary General and General Director). The NBRNM Council has adopted a Rulebook on Organization and Rulebook on Systematization of the NBRNM, which defines in detail the organizational structures in the NBRNM and the tasks and responsibilities of each organizational structure. This is available on the website.

Committees and senior managers: While the Law on the NBRNM empowers the NBRNM Council to appoint one or more committees and define their tasks and activities, it is silent on the establishment of an Audit Committee, as well as other existing committees (such as the monetary policy committee). However, the website lists the Audit Committee (AC) Charter that defines the objectives, responsibilities, method of reporting, and its interaction with the Internal Audit Department. No other committees are listed in the Law on the NBRNM, or on the NBRNM website.

A misdemeanor commission is established by the Law on the NBRNM. This committee is tasked with launching misdemeanor procedures in case of non-compliance by staff members or specified third parties (financial institutions) with obligations included in the Law on the NBRNM. The Law on the NBRNM mandates the misdemeanor committee to impose clearly defined misdemeanor sanctions in the event of such non-compliance. The Law on the NBRNM also includes procedural safeguards which govern misdemeanor procedures.

The Law on the NBRNM establishes an Internal Audit Department as a special organizational unit directly accountable to the Governor. The Internal Audit Department carries out permanent audits of the overall activities of the NBRNM

	<p>by assessing the adequacy of the internal control systems and the effectiveness of the risk management systems.</p> <p>As provided for in the Law on the NBRNM the NBRNM Council appoints the Chief Internal Auditor, on a proposal of the Governor. The relevant provision also defines the eligibility criteria for the appointment of the Chief Internal Auditor, his or her term of appointment (five years) and the situations in which he or she may be relieved from office.</p> <p>Operations of the NBRNM:</p> <p>The Law on the NBRNM defines the meetings and proceedings of the NBRNM Council (i.e., the quorum, voting rules and signature of the minutes of the NBRNM Council). More detailed rules are laid down in the Rules of Procedure of the NBRNM Council. These Rules of Procedure are classified for internal use only).</p> <p>The Law on the NBRNM defines the standards of good governance that are incumbent on the NBRNM. Specifically, the NBRNM must 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. Also, the NBRNM's decisions shall be impartial and based only on objective and rational considerations. They shall be executed in a fair, non-discriminatory and deliberate manner. Collectively these principles enhance the credibility of the NBRNM's decision-making procedures.</p>
Review	<p><i>Expanded</i></p> <p>The Law of the NBRNM contains a clear allocation of responsibilities to the NBRNM Council, the Governor and Deputy Governors. However, the website is silent and does not contain information on the role of the Governor. As regards the NBRNM Council, the website merely refers the reader to the relevant Article 47 in the Law on the NBRNM. The result is that the responsibilities of the Governor and NBRNM Council might not be easily accessible to the general public.</p> <p>The NBRNM Council's Rules of Procedure are not published as they are classified for internal use only. However, the NBRNM Council's voting rules and frequency of meetings are disclosed in the Law of the NBRNM.</p> <p>The transparency of the NBRNM's operations is enhanced by the explicit list of the standards of good governance applicable to the NBRNM.</p>

	The Law on the NBRNM is silent on the establishment of an AC; however, the AC Charter is published on the website. Also, neither the Law on the NBRNM nor the website mention other existing committees.
Comments	<p>The accessibility of the information for the general public on the roles of the Governor and NBRNM Council could be enhanced by including a description thereof on the website of the NBRNM.</p> <p>Transparency could also be enhanced by explicitly including the establishment of an AC in the Law on the NBRNM. Also, the NBRNM's other committees, including a description of their responsibilities and composition could be included on the website.</p> <p>Finally, the transparency of the NBRNM could be enhanced by the publication of the Rules of Procedure of the NBRNM Council.</p>
Principle 1.5.	Risk Management: The central bank discloses the principal risks that it needs to take to meet its objectives (such as financial, operational, and legal risks), and the framework to manage these risks. This includes information on the risk governance structure and risk strategy.
Description	See 1.5.1 and 1.5.2.
Review	<i>1.5.1–Expanded</i> <i>1.5.2–Core</i>
Comments	See details under 1.5.1 and 1.5.2.
Principle 1.5.1.	Risk Exposure: The central bank discloses the principal risks that it needs to take to meet its objectives.
Description	<p>In its disclosure of risk exposures, the NBRNM makes a distinction between financial and non-financial (operational) risks.</p> <p>The description of financial risks (credit, market, liquidity) and operational risks associated with managing financial instruments are set forth in the Foreign Reserves Management and Investment Policy, which is published on the NBRNM website. The policy provides guidance on the credit risk and exposure limits in managing the foreign exchange reserves and contains the specified risk tolerance with respect to market risks, exposure limits and deviation parameters.</p> <p>As such, developments in financial risks are disclosed mainly in relation to foreign reserves management—in both, the annual report and the audited financial statements published on the website:⁴</p>

⁴ The English translation of the December 2020 annual report is not yet available on the website. While the audited financial statements are published as a standalone set, these are also incorporated in the hard (paper) copy of the annual report.

- The [Annual Report](#) of the NBRNM (*chapter VI. Foreign Reserves Management and Investment*) discloses the objectives of the investment policy, and contains high-level information on risk exposures, collateralization of lending activities, limits utilized in investment operations, as well as performance measurement. The annual report assesses and quantifies the exposure of the foreign exchange reserves to the financial risks relative to the risk budget.
- More disclosures on financial risks are provided in the [FY 2020 Financial Statements](#) (*Note 3. Financial Risk Management*), which contains detailed information on the level of, and development in, the NBRNM's exposures to the principal financial risks. In addition to the structure of the portfolios, the disclosure note includes information on eligible counterparties and bond issuers, permissible limits, mitigations, benchmarks, as well as quantified exposures and references to methods/concepts used for quantification.

With respect to **operational risks**, the disclosures are limited to high-level references found in the following:

- In the Annual Report (*Chapter XII. Improving the National Bank Institutional Capacity-Strategy and Prevention*), a very brief reference to operational risk management indicates that the NBRNM "[...] worked on reviewing and assessing the size of risks, based on the probability and possible consequences amid risk events, as well as defining plans with operational risk measures in order to prevent events that may affect the achievement of goals, financial results, and reputation of the National Bank." Very brief references are also made to risks related to business continuity and interruption of operations, as well as information system security and data protection.
- Another brief reference to operational risks in the Annual Report is also included under (*Chapter XI. Execution of the Work Program 2020—Strategic Goal 10—see below*), where it is disclosed that "an in-depth assessment of the National Bank exposure to operational risks was performed."

The [Strategic Plan of the NBRNM 2020-2022](#), published on the website, includes the following references to operational risks under (*Strategic Goal 10—Further Improvement of Corporate Governance, Transparency and Social Responsibility of the Institution*): (i) the NBRNM will continue to take measures to strengthen the management mechanisms for internal control regarding risks; and (ii) the NBRNM will continue to [...], as well as raising awareness among employees regarding operational risks.

	<p>In the new Strategic Plan for 2022-2024, a separate strategic objective for risks has been set out, the aim of which is to strengthen risk management at the level of the National Bank. Among the many activities within this goal, the focus will be on establishing an integrated risk management framework and strengthening of the management mechanisms for internal risk control and effective risk management in all segments of the operations in order to achieve the strategic objectives.</p>
Review	<p><i>Expanded</i></p> <p>The NBRNM clearly discloses the level of, and developments in, financial risk exposures related to foreign reserves and open market operations. Financial risk management is mostly undertaken as an integral part of foreign reserves management and high-level references to credit and market risks (along with exposure limits and risk tolerance parameters) are incorporated in the “Foreign Reserves Management and Investment Policy.” The policy and its objectives are clearly disclosed.</p> <p>However, information about the level of risk exposure to other non-financial (operational) risks is not clear and disclosures in this respect are very limited. Furthermore, the Annual Report does not include a separate risk statement (risk chapter) outlining its stance on risk management in general, and the disclosures do not provide a high-level overview of the key risks mapped to the NBRNM mandate—an explicit reference on the role of “risk management” in the NBRNM’s pursuit of its objectives is also lacking.</p>
Comments	<p>The disclosures underpinning the NBRNM’s risk management function should be strengthened. In particular:</p> <ul style="list-style-type: none"> • The NBRNM should include a high-level overview of key risks clearly mapped to its mandate. • These could be provided in a general risk statement (a separate chapter on risk management) that outlines the Bank’s stance on risks, including operational risks, and the role of the risk management function in pursuit of the NBRNM’s objectives. <p>In this respect, a special section on the website dedicated to risk management could be considered, as well as a similar section in the annual report providing an overview of the risk management policy objectives and risk governance across the bank.</p>
Principle 1.5.2.	<p>Risk Framework: The central bank discloses the process for identifying financial and non-financial risks, the overall risk strategy, and the accompanying risk governance structure designed to monitor and evaluate risks effectively.</p>

Description	<p>Under Article 47(22) of the Law on the NBRNM, it is stipulated that as part of its powers, the Council shall “assess risks and formulate contingency plans for the ongoing operations and security of the NBRNM”—as such the Council is responsible to establish the risk policies of the bank and oversee the implementation of, and conformance with, the same.</p> <p>Financial Risk</p> <p>As indicated above, the Foreign Reserves Management and Investment Policy sets out the institutional framework for the management of the foreign exchange reserves. While it provides the governance structure and the division of responsibilities of the foreign reserves management process, it does not include an explicit risk governance structure. In this connection: (i) the NBRNM Council is responsible for approving the policy, while the Governor adopts operational guidelines for the implementation of the policy; (ii) an Investment Committee is responsible for monitoring the compliance with the policy and guidelines; and (iii) management of financial risks is assumed by the Financial Markets Operations Department. However, there are no explicit disclosures about such responsibilities, which could be deducted but not clearly set out.</p> <p>The FY 2020 Financial Statements (Note 3) include comprehensive disclosures on financial risks, including market, credit, liquidity risks. Market risk is monitored by measuring (adjusting) portfolio duration, risk budget and currency allocations, and tracking the Value-at-Risk (VaR). Risk strategies for credit risks, such as collateralization of lending operations and quantitative limits in investment operations, as well as credit rating scale are also described.</p> <p>Operational Risk</p> <p>The 2019 Annual Report states that the NBRNM has established a “Strategy and Prevention Office” as a separate organizational unit responsible for operational risk management, business continuity, and information security among other functions. The Annual Report also indicates that, “<i>Within the strategic planning process, in 2019, a comprehensive analysis of the expected external and internal factors influencing the operations was made [...] and “ the National Bank developed the system of coordinated, comprehensive, and systematic operational risk management in 2019.”</i></p> <p>The Annual Report makes reference to the “<i>Operational Risk Management Policy</i>” but the mission was informed that the NBRNM’s operational risk management framework consists of the: (i) <i>Operational Risk Management Policy</i> adopted by the Council (in 2015); and (ii) <i>Guidelines for Implementation of the Operational Risk Management Policy</i> adopted by the Governor (in 2018).</p>
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	<p>Both the policy and guidelines set out the operational risk tolerance and provide for a governance structure, detailed methodology, and working procedures. The mission also understands that the operational risk function is supported by an Operational Risk Committee, a Chief Risk Officer position, and a dedicated unit for Strategy and Operational Risk. However, the policy and guidelines are internal documents (not published) and the framework along with the governance structure is not disclosed to the public.</p> <p>In 2020 the NBRNM received Fund Technical Assistance on operational risk management and work is in progress to enhance the operational risk framework in line with IMF recommendations.</p>
Review	<p><i>Core</i></p> <p>The Law on the NBRNM provides risk oversight powers to the Council, but clarity on institutional risk governance arrangements is lacking. While we understand that risk management practices are governed by established internal policies and regulations, it is not obvious to external stakeholders how responsibilities are cascaded down into the operations and allocated among the NBRNM's decision-making bodies. For instance, the division of responsibilities in the <i>Foreign Reserves Management and Investment Policy</i> relates to the management of foreign reserves but is not explicit on risk management responsibilities. Similarly, a reference to operational risk governance is lacking.</p> <p>The Annual Report and Audited Financial Statements describe financial risk strategies, including collateralization of lending activities and limits in investment operations.</p> <p>However, limited disclosures are provided on risk management framework and the process of continuous identification, evaluation, and mitigation of risks. The NBRNM's Operational Risk Management Policy, including description of methodology is not published. Also, there is no disclosure on the Operational Risk Committee along with its role and responsibilities.</p>
Comments	<p>Considering that the NBRNM is in the process of enhancing its risk management framework with a focus on operational risk, additional disclosures should be provided. In particular:</p> <ul style="list-style-type: none"> Operational Risk Management Policy (or an overview of this policy if part of the information may be classified as confidential). In particular, more information on high-level objectives and scope of the policy, as well as methodology/process for continuous identification, evaluation, and mitigation of risks.

	<ul style="list-style-type: none"> Description of risk governance arrangements related to both financial and operational risks. These would include charters/regulations that define the roles and responsibilities of pertinent committees such as Investment Committee and Operational Risk Committee.
Principle 1.6.	Accountability Framework: The central bank discloses its accountability framework that provides transparency and reporting mechanisms to internal decision-making bodies, political institutions, and the general public.
Description	See below 1.6.1., 1.6.2., 1.6.3., and 1.6.4.
Review	Core
Comments	See descriptions and comments below 1.6.1., 1.6.2., 1.6.3., and 1.6.4.
Principle 1.6.1.	Arrangements: Accountability arrangements are clearly identified, including: (i) internal and external audit arrangements and compliance; (ii) reporting to an AC or Board having an oversight responsibility; and (iii) the external publication of audited financial statements and annual reports.
Description	<p>Accountability arrangements, including the framework for external and internal audits, accounting practices and policies, financial statements, appointment of the Chief Internal Auditor, as well as state audits are regulated under <i>Part IX. Financial statements and audit</i> in the Law on the NBRNM.</p> <p><i>Independently Audited Financial Statements</i></p> <p>As stipulated by Articles 60 and 61 of the Law on the NBRNM, financial statements are prepared under International Financial Reporting Standards (IFRS), and within <u>four months</u> after the end of each financial year, are submitted to the Minister of Finance, Parliament, President, and Prime Minister, after being approved by the Council, signed by the Governor and certified by the external auditor. The audited financial statements are also published in the Official Gazette and on the NBNM website (Financial Statements FY 2020).</p> <p>In addition, within ten working days after the end of each calendar month, the NBRNM prepares and publishes a balance sheet as of the end of that month and submits it to the Minister of Finance. This is published on the bank's website Monthly Statement of NBNM Financial Position.</p> <p>As per the Article 62 of the Law, within four months after the end of the fiscal year, the NBRNM also prepares the Annual Report that is issued on a timely manner, translated into English, and published on the NBRNM's website (Annual Report 2019). Since the Law refers to the annual report and to the financial statements, they are published separately, but the printed copy of the former includes the latter.</p>

	<p>Article 65 of the Law on the NBRNM stipulates that the financial statements shall, at least once a year, be audited in conformity with International Standards on Auditing (ISA) by independent external auditors which shall be of good repute and with recognized international experience in the auditing of financial institutions.</p> <p>The external auditors are appointed by the NBRNM Council, on the basis of the procedures specified in the Law on Public Procurements and shall be rotated every five years. Although not explicitly disclosed, the mission was informed that the criteria for the selection of the external auditors include that: the external auditor is internationally recognized, and the audit team is sufficiently staffed, including a quality assurance partner with experience in central banks audits. References to ISA and IFRS are also explicitly stated in the audit opinion, and audited financial statements (Note 2. A—Basis of preparation of financial statements), respectively.</p> <p>As per Article 67 in the Law on the NBRNM, the State Audit Office may perform audits with regard with investment and operating costs and shall prepare reports to be submitted to Parliament. The State audit reports are published on the website of the State Audit Office.</p> <p>Internal Audit</p> <p>The NBRNM clearly establishes the roles and duties of an internal audit function in the Law on the NBRNM (Article 63), as well as in the Internal Audit Rulebook (akin to a charter disclosed on the intranet site only).</p> <p>While the Law is explicit about Internal Audit being accountable to the Governor, functional reporting to the AC of the Council is not clearly established, in the Law. The appointment and dismissal terms, and eligibility criteria for the head of the internal audit function are explicitly stipulated in the Law on the NBRNM (Article 64). According to the Law, the Chief Internal Auditor is appointed by the NBRNM Council, and decision on relieving from office shall be adopted by the NBRNM Council. The eligibility criteria for such appointment are set forth in Article 50 of the Law.</p> <p>Audit Committee</p> <p>According to the Article 47 of the Law on the NBRNM, the NBRNM Council supervises the implementation of the policies and execution of the tasks of the NBRNM, including internal and external audit and compliance.</p> <p>As indicated under Principle 1.1, while the Law on the NBRNM empowers the NBRNM Council to appoint one or more committees and define their tasks and activities, it is silent on the establishment of an AC.</p>
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	<p>That said, the website of the NBRNM, under The NBRNM Council, discloses the members of the AC and its charter. According to the charter (Article 3), the AC's primary objective is to assist the NBRNM Council in its oversight covering audit, financial reporting, internal control and compliance processes. A reporting mechanism is clearly established in Article 11 of the charter with the following requirements:</p> <ul style="list-style-type: none"> • The AC shall submit an annual report to the NBRNM Council regarding its activities, problems and recommendations. • The AC shall ensure permanent communication between the internal audit, the external audit and the NBRNM Council members. • The AC shall control the reports adopted by the NBRNM, which are within the AC's responsibilities. • The annual activity report of the AC is not publicly disclosed.
Review	<p><i>Expanded</i></p> <p><i>Independently Audited Financial Statements</i></p> <p>The NBRNM legal framework contains provisions for an external audit according to ISA, as well as provisions on preparation of annual financial statements in compliance with IFRS. The same references are explicit in the audited financial statements. Provisions are also clear on the publication of the audited annual financial statements, monthly financial statements, and annual report, including deadline and that the annual financial statements are published separately. While the Law on the NBRNM provides for the appointment of an independent audit firm of international repute (rotated every five years) according to procurement rules, the criteria for selecting external auditors are not explicit. These could be established in a dedicated external auditor selection and rotation policy that could be published.</p> <p><i>Internal Audit</i></p> <p>The Law on the NBRNM clearly establishes the roles and duties of an internal audit function and provides for explicit criteria for the appointment and dismissal of the Chief Internal Auditor by the Council. In addition, the Internal Audit charter (Article 58) provides for functional reporting to the Council and the AC. However, the Internal Audit charter is not published and the functional reporting line to the Council (and to the AC) is not explicitly established in the AC charter.</p> <p><i>Audit Committee</i></p> <p>While the Law on the NBRNM is silent on the establishment of an AC, the latter exists in practice and its charter is publicly disclosed. The AC's oversight role is</p>

	clearly established, along with a reporting mechanism to the Council. In line with its charter the AC prepares an annual activity report, which is not published.
Comments	<p><i>Independently Audited Financial Statements</i> The NBRNM could disclose its external audit rotation policy that includes criteria for the selection of external auditors.</p> <p><i>Internal Audit</i> The functional reporting line of the Chief Internal Auditor to the Council (and the AC) should be made explicit in the AC charter, and the NBRNM should publish the Internal Audit charter.</p> <p><i>Audit Committee</i> For further transparency on the AC's roles and responsibilities, it is advisable to publish the AC annual activity report.</p>
Principle 1.6.2.	<p>Tools:</p> <p>Independently Audited Financial Statements: The central bank discloses its auditing and accounting standards and compliance frameworks and gives the public sufficient information to assess and understand the central bank's financial performance, use of resources, and transactions with the government and other stakeholders.</p> <p>Internal Audit: The central bank provides the public with information regarding its internal audit function, discloses its framework and compliance with the framework, and the scope of its responsibilities.</p> <p>Audit Committee: It is clear whether an internal oversight body that reports to the Board exists, and which of the activities are published.</p>
Description	<p><i>Independently Audited Financial Statements</i> A complete set of independently audited financial statements is published on the website. The NBRNM annual financial statements are prepared in accordance with IFRS. An external audit opinion accompanies the published financial statements. Audits are conducted in accordance with ISA. References to both IFRS and ISA are explicit in the annual financial statements, and the publication of the latter is within the statutory deadline.</p> <p>The full set of the audited financial statements is also incorporated in the hard copies of the annual report.</p> <p><i>Internal Audit</i> The 2020 published NBRNM annual report (<i>chapter IX. Internal Audit</i>) contains a basic description of the internal audit function's role, including disclosures on its</p>

	<p>activities performed during the year stating the number of revisions performed, the level of recommendations issued, and how much of these have been fulfilled. However, the description does not contain the conformance of Internal Audit activities with its charter (internal regulation), nor does it clarify the rules governing the independence of the internal audit function and reporting structure, and its conformance with international standards.</p> <p>That said, the last external quality assessment (2012) concluded that Internal Audit is in conformance with the international standards (published in AR for 2012).</p> <p>Audit Committee</p> <p>The AC composition, as well as its charter, approved by the Council, is disclosed on the NBRNM’s website. The responsibilities of the AC are clearly set out in the charter NBRNM - - Council and AC.</p> <p>In the annual report, the NBRNM discloses that the work of the IAD is overseen by the AC and that the latter met regularly, but without providing any additional details on the number of meetings and high-level overview of activities. The AC annual report is not published.</p>
Review	<p><i>Expanded</i></p> <p>Independently Audited Financial Statements</p> <p>The complete set of audited financial statements is published and a wide-ranging discussion on the NBRNM’s activities are included in the published annual report. The information in the financial statements includes clarifications on significant transactions and highlights for the period. Given the unusual circumstances caused by the COVID-19 pandemic, the FY 2020 financial statements (see Note 2) also include substantive disclosures on changes in the environment and measures to mitigate the impact of the COVID-19 pandemic. As such, the information is clear and enables a user to assess performance, understand key transactions and operations, and identify emerging risks.</p> <p>Internal Audit</p> <p>The information about Internal Audit in the annual report is very basic; descriptions of the rules governing the internal audit function and reporting structure, statements of conformance with international standards and basis for the function’s audit methodology are missing.</p> <p>Audit Committee</p> <p>A description of the AC’s composition, including names and profiles, and its charter are disclosed on the website of the NBRNM. However, the annual report</p>

	does not provide any details on the activities of the AC during the period and its annual activity report is not published.
Comments	<p>Internal Audit</p> <p>The NBRNM should consider publishing its Internal Audit charter to clarify the rules governing the internal audit function and reporting structure. The NBRNM should also be explicit in stating that its internal audit function “generally complies with international standards for the professional practice of internal auditing” based on the recent external quality review.</p> <p>Audit Committee</p> <p>The NBRNM should consider including a high-level description of the AC activities, including the number of meetings and major issues in the annual report. The AC annual activity report could also be published for further transparency.</p>
Principle 1.6.3.	<p>Anti-corruption Measures and Internal Code of Conduct: It is clear that domestic anti-corruption legislation and measures apply to the decision-makers, staff, and agents of the central bank. The central bank discloses its internal Code of Conduct with additional requirements specific to central bank management and staff.</p>
Description	<p>Legal Framework</p> <p>The 2019 Law on Prevention of Corruption and Conflicts of Interest is the specialized anti-corruption law stipulating measures to be taken for the prevention of corruption and conflicts of interest in the public sphere. The law is applicable to legal entities conducting activities related to the public interest, including National Bank Council members (as appointed officials). Liability for corruption offences is regulated by the Law on Preventing Corruption, the Criminal Code, and other applicable laws. The Law on Preventing Corruption is available on the website of the State Commission for Prevention of Corruption (North Macedonia’s anti-corruption agency) (https://dksk.mk/wp-content/uploads/2021/04/LAW-ON-PREVENTION-OF-CORRUPTION-AND-CONFLICT-OF-INTERESTS.pdf).</p> <p>The 2010 Law of the National Bank also contains provisions relating to corruption and conflicts of interest. Article 70 requires that National Bank staff avoid situations that would give rise to conflicts of interest and precludes them from receiving any gifts, benefits, or remuneration of any kind. Article 70 also requires National Bank Council members to disclose significant financial interests. Breaches of the National Bank Law constitute grounds for disciplinary measures. The National Bank Law applies to all National Bank staff and decision-makers, including the National Council. The Law of the National Bank is available on the</p>

	<p>National Bank’s website in Macedonian and English and relevant portions of the Law.</p> <p>The National Bank has also issued a Code of Ethics (2011) that “determine[s] the principles of conduct of the members of the Council of the National Bank and the employees in line with the basic moral principles and standards of professional conduct, in order to maintain the independence, integrity and reputation of the National Bank.” The Code of Ethics (explicitly applicable to the National Council and employees of the National Bank) contains prescriptions on staff conduct (both positive, in terms of guiding principles, and negative, in terms of prohibitions on certain types of behavior and activities). The Code of Ethics also includes provisions on avoiding conflicts of interest and disclosure of significant financial interests. The current 2011 version is available on the National Bank’s website in Macedonian. Work on a new Code of Ethics is currently underway; the newer version is planned to be published in both Macedonian and English on the National Bank’s website.</p>
Review	<p><i>Core</i></p> <p>The National Bank’s legal framework (Law of National Bank and Code of Ethics) clearly applies to decision-makers and staff. However, although national anti-corruption legislation and measures are also reported to apply to National Bank decision-makers (Council members), this is not explicitly stated in publicly available materials produced or published by the National Bank (e.g., no references to the Law on Prevention on Corruption are referenced in the Law of the National Bank or the Code of Ethics).</p> <p>Further, disparities in the language of governing documents (Law on Prevention of Corruption, Law of the National Bank, and the Code of Ethics) may cause confusion and creates an ambiguity as to the applicability of the Law on Prevention of Corruption (as the Article 2 of the Law of the National Bank) states that it shall supersede any other law.</p> <ul style="list-style-type: none"> • <u>Conflicts of interest</u>: The Law of the National Bank stipulates that 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” (similar language is included in the Code of Ethics). This language is not as detailed as that of the Law on Prevention of Corruption, which also precludes staff from being “guided by personal,

	<p>family, religious, political party’s and ethnic interests, pressures and promises from the superiors or another person.”</p> <ul style="list-style-type: none"> • <u>Disclosure of financial interests</u>: The Law of the National Bank and the Code of Ethics requires National Bank Council members to disclose “significant financial interests”, which potentially contradicts more detailed requirements in the Law on Prevention of Corruption for public officials (which include National Bank Council members) to submit a declaration of assets and interests, including a “detailed inventory of real estate, movables with a value exceeding the amount of twenty average net salaries in the previous three-month period, securities, receivables and debts, as well as other property in his/her possession, or ownership of the members of his/her family, stating the basis for acquiring the declared property” as well as a statement of interests (e.g., membership on boards). <p>The National bank imposes specific requirements on expected behavior of staff in its Code of Ethics. Non-compliance and violation of the provisions of the Code of Ethics is a violation of contractual or other obligations arising from the law and will be sanctioned according to the Labor Law, the Law on the National Bank and the Labor Agreement of the National Bank; sanctions under the Law on Prevention of Corruption are not referenced. A breach of Article 70(2) of the Law of the National Bank (on receiving benefits or gifts) shall constitute a serious breach of the rules and may at the discretion of the Governor constitute grounds for disciplinary measures, including dismissal. Additionally, certain high-level National Bank officials (the Governor, vice-governors, and non-executive members of the National Bank Council) may be liable for a misdemeanor if they fail to provide a written statement in cases where they did not recuse themselves in the presence of a conflict of interest. No sanctions appear to exist for violations of other provisions of Article 70.</p>
<p>Comments</p>	<p>Disparities between the Law on Prevention of Corruption and the Law of the NBRNM and the Code of Ethics should be rectified, namely by harmonizing older provisions in the Law of the NBRNM with the newer, more detailed provisions in the Law on Prevention of Corruption.</p> <p>The NBRNM should clearly/explicitly refer to the Law on Prevention of Corruption as part of its governing legal framework. The Law of the NBRNM and the Code of Ethics should reference the Law on Prevention of Corruption (both generally, as a source of articulated principles, and more specifically, in mention of applicable sanctions); this could be achieved through an instrument of the NBRNM.</p>

	Sanctions should be clearly stipulated for all breaches of the Code of Ethics and the Law of the NBRNM (specifically, Article 70) by NBRNM staff and decision-makers.
Principle 1.6.4.	Human Capital Management: The central bank discloses its policies and practices concerning the governance and management of human capital.
Description	<p>The NBRNM indicated that the policies and practices on management of the human capital such as employment policy, performance management, professional development, promotion, remuneration etc., are subject to legal restrictions concerning transparency. As such, most of these aspects are considered internal processes (or information for internal use) and regulated under confidentiality regime. Internal regulations include:</p> <ul style="list-style-type: none"> • Rulebook of the NBRNM’s Organization which defines the internal organization, the appropriate departments, units and subunits as well as work tasks and activities. • Rulebook for the Systematization of work positions, and job classification for each organizational unit, work categories (the top management positions, manager’s positions, specialist’s positions, technical and operational positions), job descriptions, educational degree, etc. • Code of Conduct (Ethics), which is a By-Law adopted by the NBRNM Council and published on the website (in Macedonian). The scope of application is disclosed within the Code, which contains provisions that determine the moral principles and standards of professional conduct that are binding for members of the Council, as well as all staff of the NBRNM. These are intended to, among others, safeguard independence, integrity, and reputation of the NBRNM. The Code is also enshrined in the Law on the NBRNM (Article 47.8). <p>Notwithstanding the above-mentioned limitations, transparency requirements on human resources and human capital management issues are met when there are legal obligations:</p> <ul style="list-style-type: none"> • Recruitment. The process of employment at the NBRNM is in accordance with Article 22.1 of the Labor Relations Law and in accordance with Article 6 and 7 of the Collective Agreement of the NBRNM (see reference in Macedonian on the NBRNM’s website Employment in the National Bank) • Organization. In accordance with Article 10 of the Law on Free Access to Public Information, the website of the NBRNM includes an organizational chart containing all Departments as well as managers (directors), and list of all employees’ working positions, their official e-mail addresses and

	<p>official/business phone contacts. This section also contains a reference to the Code of Ethics (in Macedonian)—see Organizational Chart.</p> <p>While not explicit, the NBRNM considers that Article 5 in the Law on the NBRNM stipulating that “...<i>Council members and staff shall not seek or take instructions...</i>” and “<i>no person or entity shall seek to influence Council members or staff...</i>” safeguards independence and is indicative of recruitment on non-political grounds and non-discrimination. However, Article 58 is explicit about recruitment on non-discriminatory grounds as it states that “<i>when recruiting staff, the National Bank shall apply nondiscriminatory personnel policies, by ethnic, religious or other grounds.</i>”</p> <p>Similarly, the Law Labor Relations (Article 6) defines the prohibition on discrimination and the NBRNM as an employer must not “<i>treat unequally the job seeker [...] on the basis of race, color of skin, gender, national or social origin, or family status, [...], sexual orientation, or other personal circumstances.</i>” According to Article 250 of the Labor Relations Law, the NBRNM as an employer, organizes internships for students within the educational program. The NBRNM publishes an announcement for the internship program, once a year, usually in May on its website. Due to the COVID-19 pandemic, the process was cancelled for 2020.</p> <p>In the 2020 Annual Report (<i>Chapter X. Human Resources Management</i>), it is stated that the NBRNM “... <i>is an institution that constantly cares and invests in its employees, in order to strengthen their skills and competencies and increase their professional knowledge, in order to create highly qualified staff that will adequately respond to the challenges of achieving the goals.</i>” In addition, this section contains information and statistical comparisons (current vs. previous period) on the total number of employees, gender, age and qualification structure, training and professional developments (domestic and foreign), professional education/training, and performance management system.</p> <p>In its 2020-2022 Strategic Plan (<i>Strategic Objective 10</i>), the NBRNM indicates the intention to further advance strategic planning through employee motivation and performance monitoring and evaluation. An additional reference in this context relates to “<i>keeping pace with changes in the environment is the development of human capital and institutional maturity. For that purpose, a top priority is the further development of modern and competent human capital, improvement of the corporate governance and profound system of values in line with the central banking standards.</i>”</p>
Review	Core

	<p>The NBRNM discloses information on the number of employees, changes in gender structure, qualification structure, as well basic overview on training and professional development. However, there are no explicit references to diversity and inclusion.</p> <p>While information on turnover could be deducted, no explicit references provided on leadership and succession planning or program. In addition, the NBRNM does not publicly disclose the applicable policies for attracting, promoting and retaining employees. Staff was informed that the National Bank is working on expanding the employment section on the website to provide more information about careers, key values and opportunities for professional and career development.</p>
Comments	<p>The NBRNM could disclose further information on diversity and inclusion, as well as high-level rules/statement on recruitment, promotion, and retention of staff. While the NBRNM discloses in its Strategic Planning for 2018-2022 how the human resources function is expected to support the Bank's mandate, quantitative measures/indicators could be communicated to tie back to the NBRNM's strategic plan.</p>
Principle 1.7.	Communication: The central bank discloses means and methods of communication and the forms of disclosure of information to its stakeholders.
Principle 1.7.1.	Arrangement: The central bank discloses the organizational structure, responsibilities, and processes relevant for communication.
Description	<p>Responsibility to Disclose Information</p> <p>The general obligation to communicate is anchored in primary legislation, articles 35, 36, 37, 61, 62, 69, 74 of the Law on the NBRNM, published on the website. The Law on Free Access to Public Character Information is also applicable to the NBRNM, not published on the website (English version).</p> <p>Organizational Structure</p> <p>Communication is within the remit of the Governor's Office. As it is embedded in the Governor's office, there is no mention of a specific unit or department related to Communications, International Relations or Institutional Affairs.</p> <p>The duties regarding communication are available in the Rulebook on the Organization of the National Bank of the Republic of North Macedonia, within the Governor's Office. This document defines the objectives, duties and activities of the Governor's office and it is disclosed on the NBRNM web site, available only on Macedonian language (the list of communication activities is disclosed on p. 13-14).</p> <p>Processes Relevant for Communication</p>

Within the communication process there is active involvement of all organizational units of the NBRNM, for the issues within their competence, and the final versions of the materials are subject to approval by the strategic managers or by the Governor. For each important event the NBRNM published press release, the non-executive members of the NBRNM Council are notified in advance.

Communication Policy, Principles, and Guidelines

The [Strategic Plan](#) of the NBRNM mentions in Strategic Objective 10 the “Further improvement of corporate governance, transparency and social responsibility of the institution.” There is no published policy, principles or guidelines in the area of communications related to the NBRNM communication processes of external communication. A broad strategy may help integrate communication processes into its core public relations, and communication activities.

Published on the website are the annual “[Plan of Activities](#)” and its [correspondent report](#) which summarizes plan implementation activities. Among key communication activities is a project for “Improving the accessibility and understanding of press releases, information, data and National Bank analyses.”

Accessible Data System and Archives

The NBRNM has created a new statistical portal “NB Stat” to increase the availability and flexibility of published statistical data, which contributed to a higher degree of transparency in the operations. Several projects in the field of financial education show the constant efforts of the NBRNM to improve the knowledge of the general public with respect to the advantages of the use of the various financial services. For example, as noted in the Report of the Strategic Plan 2019 (p. 21), “in the area of library and archive activity, the NBRNM undertook several activities for purchase and maintenance of the library fund of the NBRNM, and the archive fund was enriched with digitalized archive material of historical significance arising from the NBRNM operations.”

Evaluation System

In the Plan of Activities 2020 there is the project for “Conducting satisfaction surveys for data reports and users.”

Review	<p><i>Core</i></p> <p>The legal framework of the NBRNM is clear in its practice of reporting obligation and data accessibility; in this respect the “Law on Free Access to Public Character Information” should be also disclosed by the NBRNM in its website. Regarding specifically a communication policy and/or a general communication strategy is not clearly established, nor disclosed. The organigram does not disclose the institutional communication structure; and the tasks and functions should be more accessible to find on the website.</p>
Comments	<p>The NBRNM still faces challenges in the management of its communication processes; determining an institutional communication strategy is important. That policy and/or strategy may encompass institutional affairs, public relations, and means and methods of communication for mass media. Communication actions should be targeted to specific audiences and for the public at large. Such communication strategy may also consider evaluation systems/methodologies to reinforce the efficacy of the methods used in daily communication with the public.</p>
Principle 1.7.2.	<p>Strategy/Tools: The central bank discloses the objectives, target audiences, channels, and tools of communication policy.</p>
Description	<p>Objectives and Strategy on Communications</p> <p>The report of the Strategic Plan the Implementation of the Plan of Activities 2019 and its introduction says “The vision of the National Bank is to be recognized as an independent, responsible, professional and transparent institution.” There is no published objectives or a general strategy on communications accessible on the website. The tasks performed in the area of communications are established in the Rulebook on the Organization of the National Bank of the Republic of North Macedonia.</p> <p>Target Audiences</p> <p>Journalists: Since 2020, the NBRNM, through a special project activity, is working on preparing a list of regular briefings for journalists (i.e., publication of quarterly statistical data, quarterly reports) and increasing the number of press conferences including, among other things, a regular annual press conference for presentation of the Annual Report of financial stability. The list of regular briefings and press-conferences is expected to be finalized by the end of 2021, after the journalists’ interviews in order to cover everything that is in their interest. Additional briefings are organized for interested journalists (average, four in the year) as well as individual briefings or briefings for smaller groups of journalists when the issue may be only interest to specialized media.</p> <p>Related to transparency, there are ongoing projects for improving the communication the public (see p. 6 of 2019 Annual Report) as well as the</p>

	<p>organization of workshops for journalists with the presentations on the new statistical portal and the new data in the field of payment statistics (see also Plan of Activities 2020, p. 8).</p> <p>Financial Education: Several projects in the field of financial education are evidence of the constant efforts of the NBRNM to improve the knowledge of the general public with respect to the advantages of the use of the various financial services. This information is disclosed to the public in the NBRNM website, report on annual activities, and the strategic plan 2020.</p> <p>Fintech Sector: Since the end of 2019 there is a separate platform called “Innovation Gateway” for the fintech sector.</p> <p>Interested Stakeholders: NBRNM communications are sent via e-mail to stakeholders who have previously expressed interest (civil society organizations for consumer protection, Macedonian Banking Association, etc.).</p> <p>The NBRNM organizes two traditional press conferences to present the macroeconomic forecasts and in case needed for other issues that are subject to public interest and are within its competence. The NBRNM also organizes separate presentations intended for other target groups (e.g., on a regular basis, macroeconomic forecasts are presented to the diplomatic corps and interested companies).</p> <p>Channels regarding requests of information</p> <p>The NBRNM answers all questions addressed by individuals and legal entities. For that purpose, questions can be sent to the e-mail address info@nbrm.mk. At the same time, the NBRNM answers questions received through the official pages of social networks, as well as questions received in hard copy. For each question, the competent organizational unit is consulted, and the answer is submitted as soon as possible, normally within 14 days, unless the question involves analysis or other process that requires more time.</p> <p>The procedure for “Free access to information” is accessible at the NBRNM’s website (Macedonian version) under the page “Public relations” which have a dedicated page for information on contact address and phone numbers to receive requests for access to information determined to eligible for free access (in this regard the NBRNM is publishing a list of information categorized for free access). The NBRNM also discloses the contact details of the official persons responsible for public information requests, which are the secretary of the Bank and the manager of the Legal Affairs Department. In order to facilitate the submission of the request, NBRNM discloses the form that is necessary to submit such requests. Moreover, in case the client is not satisfied she/he can submit a</p>
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complain to the Agency for Protection of the Right to Free Access to Public Information. The form for this complaint is also on the web site, as well as the fee/cost that the interested person needs to pay for the information.

For more detailed information regarding the published statistical data, the Statistics Department communicates via the e-mail address contact.statistika@nbrm.mk.

The e-mail address NBmedia@nbrm.mk is used for receiving and answering questions from media/journalists. Any received questions are answered during the same or the next working day, except in cases when it requires additional analysis or information on a larger scale, when the deadline is agreed with the representative of the media.

Tools of Communication

The NBRNM applies all traditional forms of external communication such as: announcements / press releases, statements, interviews, addresses, publications (reports, etc.), information, press conferences, briefings, answering questions from journalists / media and other citizens and legal entities, etc.

Press releases, statements, addresses and publications are regularly published on the website of the NBRNM as well as with adapted content on the official pages of social networks (Facebook, Instagram, and Twitter). At the same time, they are proactively sent to the media via "Viber."

Publications

The NBRNM organizes its publications based on a predefined calendar, which basically consists of: Annual Reports, Financial Statements, Monetary Policy Reports, and quarterly reports, Financial Stability Reports, NBRNM Strategic Reports.

In reference to the monetary policy meetings, decisions are communicated through published statements. Following the sessions of the NBRNM Council and the Operational Monetary Policy Committee, the NBRNM issued a statement/press release. [The agendas of the sessions](#) of the NBRNM Council are available in the NBRNM, in Macedonian language. The [dates of the meetings of the Operational Monetary Committee](#) are available at the NB website. The announcement/press release from the session is published the day after the meeting, on the day on which the auction of CB bills is conducted. In order to better inform the stakeholders, the dates of publication of statistical data on the financial and non-financial sector under the jurisdiction of the NBRNM and the real estate price data are available in the data publication calendar, and

	information on the publication dates of data from payment statistics is also publicly available.
Review	<p><i>Expanded</i></p> <p>The NBRNM could reinforce and further define its institutional communication <i>objectives</i> in terms of transparency and communications by disclosing and institutional communications strategy.</p> <p>Targeted audiences are clearly determined, and the NBRNM implements a series of actions according to its audiences.</p> <p>The NBRNM implements a broad menu of tools on how to communicate. The process to respond to access to information requests is well structured, is clear and disclosure of information done in a timely manner. The NBRNM could enhance such a system by reporting on the outcome of this mechanism.</p>
Comments	<p>The NBRNM could also explain its vision and actual implementation of transparency measures in a more accessible manner. A possible way to do that could be to use its website (the tab on “Transparency” created in the primary welcoming page of the NBRNM website). The NBRNM website could create links interconnecting measures and channels of communication that the NBRNM already provides to the public, but which are difficult to find, further fulfilling the legal mandate of free access to information. Links to publications, upcoming events and a link to most updated press releases and press briefings in a friendlier manner could also be recommended. The use of social media as a tool for communication could possibly be strengthened but it is important to understand that such a tool is complementary to the comprehensive range of other communication tools, and a consistent approach for specific policies should be in place (i.e. extending existing decisions should preferably be done in a way that ensure alignment in different communication forms). Of key importance for accessibility of information is to maintain information in the NBRNM website in the official languages of North Macedonia up to date. Institutional actions done for educational purposes and international relations could be communicated using a simplified and accessible language and by increasing its visibility in digital platforms, using videos, infographics, and any other visual aide. Tailored surveys on specific areas, and/or focus groups evaluations could be valuable tools to measure the efficacy of conveying information to the public.</p>
Principle 1.8.	Confidentiality: The central bank discloses its policy on confidentiality or secrecy of central bank information, including the reasons underlying the choices it has made on disclosure or non-disclosure of sensitive information.

Description	<p>The confidentiality system of the NBRNM is anchored in legislation; the Law on the NBRNM (unofficial consolidated version), Article 74, available on the NBRNM's official website www.nbrm.mk and the Law on Classified Information applicable to all public institutions under the jurisdiction of North Macedonia, which is not available or published by the NBRNM in its website. As for secondary legislation, the NBRNM implements the legislation through "decisions" and "internal regulations." Worth mentioning is the "Decision on the access and the manner of using non-public information of the National Bank of the Republic of North Macedonia" (The Decision), which is published in the Official Gazette of the Republic of North Macedonia, although there is no link to it in the NBRNM website, and other internal "rulebooks" that are determined for "internal use" implementing Article 74 of the Law on the NBRNM.</p> <p>According to Article 74 of the Law on the NBRNM, no persons who serve or have served as a member of the NBRNM 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..."</p> <p>The Law on Classified Information, establishes in its Article 7 that "the information subject to classification in particular relates to: <i>...economic and financial matters of importance for the Republic of North Macedonia.</i>" The Law determines four levels of classification (Top Secret, Secret, Confidential, and Restricted) according to the degree of the damage that would result for the Republic of Macedonia from the unauthorized access to that information or its unauthorized use.</p> <p>According the NBRNM Rulebook on classification of information, the NBRM determines two additional levels of internal classification:</p> <ul style="list-style-type: none"> • "Professional secret" is information that is not classified information, neither a public information, and was created in the NBRNM, and its disclosure may affect the operations and interests of the NBRNM and violate other legally protected interests (such as: personal data, data collected from companies for the NBRNM's statistic purposes, data that banks submit to the NBRNM or to which the NBRNM have access during the supervision, etc.). • Information "For internal use" is information that is not classified information, is not a professional secret and is not public, and is used within the internal operations of the NBRNM. <p>The processing of classified information against the Law on Classified Information, is regulated in the misdemeanor and criminal provisions of the Law on Classified</p>
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	<p>Information. The processing of personal data against the Law on personal data protection is regulated in the misdemeanor provisions of the Law on Personal data protection.</p> <p>According to item 3 of the Decision when submitting classified information or information that is "professional secret" or information "for internal use" to an external user, the NBRNM shall provide access to the information only and exclusively to the external user to whom it is submitted. According to item 4 of the Decision the external user to whom the NBRNM submits classified information or information that is "professional secret" or information "for internal use", must not disclose, publish, use them for personal gain, disclose them through transmission, publication or otherwise allow unauthorized access. According to item 6, the external user is obliged to apply measures for protection against unauthorized access to the classified information or the information that is a "professional secret" or the information "for internal use" of the NBRNM. According to item 7, enabling unauthorized access is considered a violation of the operation, the interests of the NBRNM, the protected public interest determined by the Law on the NBRNM and/or another legally protected interest. Persons who have granted unauthorized access shall be liable in accordance with applicable legal regulations.</p> <p>The NBRNM discloses the information that is of public nature, accessible to the public, through a list that is published on the NBRNM website, but in Macedonian language only.</p> <p><u>The Data Protection Officers are</u> responsible for monitoring the compliance of all the above-mentioned legislation and guidelines. Data Protection Officer responsibilities include, among others: dealing with information security (Information Security Officer); protection of personal data (Personal Data Protection Officer); security of classified information (Classified Information Security Officer), as well as implementation of the Business continuity policy of the NBRNM (Business Continuity Manager). The main responsibilities include: (i) raising awareness and training of the staff for their obligations in relation to the applicable laws and internal regulations relating to personal data protection; (ii) the security of the classified information and the security of the information systems; acting as a contact person with the data subjects for all issues related to the processing of their personal data and for the fulfillment of their rights; (iii) cooperating with the Agency for Personal Data Protection on issues related to the processing of personal data, including prior consultation with the Agency before processing; (iv) informing and advising the employees who process personal data regarding their obligations in relation to the provisions of the applicable laws and internal regulations; (v) work with other departments regarding the data</p>
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	<p>protection issues; auditing; (vi) coordinating the implementation of the Business continuity policy of the NBRNM, and (vii) in case of crisis, coordinating crisis groups. According to the law, the Data Protection Officer reports to the Governor and the NBRNM Council (see also Article 68 of the Law on Classified Information). Data protection Officers are the employees authorized by the Governor (Classified Information Security Officer) and the NBRNM Council (Personal Data Protection Officer), who are employed in the Information Security, Personal Data, and Classified Information Protection function, which is one of the three functions of the Strategy and Prevention Office. The Strategy and Prevention Office and Data Protection Officers appears in the NBRNM website, but not in the organigram.</p> <p>There is a system for declassifying information established by Article 54 of the Law on Classified Information.</p>
Review	<p><i>Core</i></p> <p>The NBRNM discloses the legislation that is applicable to the confidentiality measures of the NBRNM, in the understanding that such legislation is in the public domain or published in the Official Gazette. More proactive measures may be taken to disclose in the NBRNM website the Law on Classified Information and the “Decision on the access and the manner of using non-public information of the National Bank of the Republic of Northern Macedonia” as part of the NBRNM’s legal framework.</p> <p>The classification of the information in its different levels of confidentiality is done in compliance to legislation, specifically the Law on the NBRNM and the Law on Classified Information. The NBRNM may explain to the public that the classification of the information is done according to the Law on the NBRNM and the Law on Classified Information and the internal bylaws of the NBRNM. In case the classification is expanded, the reasoning of such a decision may also be explained.</p>
Comments	<p>The Data Protection Officer “unit” is disclosed on the NBRNM website, but an explanation of its functions could be beneficial for a better understanding of its role.</p>
Pillar II—Central Bank Policies	
Principle 2.1.	Monetary Policy: The central bank publicly and clearly discloses the objectives, policy framework, and instruments of monetary policy.
Principle 2.1.1.	Objectives and Framework: The central bank discloses its monetary policy framework and strategy for achieving its objectives.
Description	<p>The NBRNM’s primary objective is to achieve and maintain price stability, as set forth in the Law on the NBRNM, Article 6 (1). This legislation also spells out other</p>

	<p>objectives and the responsibilities assigned to the NBRNM, as well as the policy toolkit it has at its disposal to conduct monetary policy. These instruments include open market and credit operations as well as reserve requirements. Other policy instruments may be introduced with a two-thirds majority approval of the NBRNM Council members. The primary objective is also the backbone of the three-year Strategic Plan, which defines the NBRNM's mission and objectives, and is recurrently highlighted in other policy documents and analyses prepared by the NBRNM, like the Annual Report, the Quarterly Report, the Monthly Report, and the press releases that follow the regular meetings of the Operational Monetary Policy Committee.</p> <p>The NBRNM identifies its monetary policy regime as exchange rate targeting. This implies that to achieve its final objective of preserving price stability, the NBRNM uses the exchange rate stability—of the denar against the euro—as the intermediate target to anchor inflation expectations.</p> <p>While the <i>de jure</i> exchange rate arrangement is floating, the IMF AREAER classifies the <i>de facto</i> exchange rate as a stabilized arrangement. Article 33 of the Law on Foreign Exchange Operations stipulates that the exchange rate is freely determined on the basis of supply and demand in the foreign exchange market. However, the NBRNM participates in the foreign exchange market—as authorized in Article 34—to achieve its policy goals. According to the AREAER, the NBRNM maintains a stable exchange rate within a narrow fluctuation band of bid-ask exchange rates determined by the Committee for Operational Monetary Policy.</p> <p>The monetary policy framework behind this policy regime is articulated in the NBRNM website labelled as Design of Monetary Policy. In light of this explanation, markets participants can understand the rationale for having an exchange rate targeting regime and the role played by the NBRNM's interest rate in managing systemic liquidity and influencing lending and deposit rates in the financial system. Despite maintaining the denar/euro exchange rate stable, monetary policy still enjoys some degree of autonomy because of imperfect capital mobility—due to limited integration with the international financial system—at least in the short run.</p>
Review	<p><i>Comprehensive</i></p> <p>The NBRNM discloses the objectives, policy framework, and instruments of monetary policy through several means. Market participants can access this documentation through the NBRNM website. Especially relevant is the explanation about how monetary policy is implemented, which highlights the importance and the role played by the intermediate and the operational targets for achieving the inflation objective.</p>

Comments	
Principle 2.1.2.	Policy Decisions: The NBRNM discloses its monetary policy decisions in a timely manner and indicates how the decisions foster the achievement of its monetary policy objective(s). The central bank discloses the process by which policy decisions are taken, including with respect to the meeting calendar of its monetary policy decision-making bodies and their voting procedures.
Description	<p>The NBRNM announces, explains, and disseminates the decision on its policy rate one day after the monthly meeting of the Committee for Operational Monetary Policy takes place. Since the central bank governor is the sole decisionmaker, the Committee for Operational Monetary Policy has an advisory role. It meets on pre-announced dates specified for the calendar year. The NBRNM issues a press release in which it lays out the considerations that underpinned the decision, including recent developments of inflation and economic activity, thus signaling the stance of monetary policy. The press release also analyzes how international reserves have evolved, highlights credit and deposits' performance and the systemic liquidity trends in the banking system and assesses the evolution of the international economic environment and its short-term perspectives. As a critical matter, the press release discusses current macroeconomic expectations and the potential—upside and downside—risks affecting the economy in the short term.</p> <p>The NBRNM also publishes press releases whenever the Government Council adopt decisions on other policy instruments explaining the reasons behind the decision taken.</p>
Review	<p><i>Expanded</i></p> <p>The NBRNM discloses monetary policy decisions, in particular about the key policy rate—the interest rate on the central bank bills. The NBRNM posts a press release in the NBRNM website on the following day of the Committee for Operational Monetary Policy meeting. However, the process by which decisions are taken is not disclosed. The NBRNM does not publish information about the Committee for Operational Monetary Policy, including its role, composition, and the modality of working.</p>
Comments	The NBRNM could consider giving the Committee for Operational Monetary Policy a stronger institutional foundation and disclose its role, composition, and structure. Disclosing this information will contribute to enhance the transparency of its policy decisions, as it will make room for providing a more comprehensive account of the underlying policy deliberations.
Principle 2.1.3.	Supporting Analysis: The central bank discloses relevant economic information and supporting analysis that informs its monetary policy decisions.

Description	<p>The key document that informs market participants about monetary policy and economic trends in a succinct and timely basis is the press release that is published every month following the Committee for Operational Monetary Policy meeting. However, enhanced information and supportive analysis is provided by the Recent Macroeconomic Indicators—Review of the Current Situation which is a monthly report that is produced and published each month, except in May and November.</p> <p>The Recent Macroeconomic Indicators—Review of the Current Situation expands the Quarterly Report analysis with special emphasis on the implications of both the external and internal environment for the conduct of monetary policy. Macroeconomic Projections and Risks, as part of the spring and autumn Quarterly Report (in May and in November), addresses macroeconomic forecasts and risks and the effects of macroeconomic forecasts on the stance of monetary policy, including comparisons with previous forecasts.</p>
Review	<p><i>Comprehensive</i></p> <p>The NBRNM discloses relevant economic information and supporting analysis that informs its monetary policy decisions on a regular and timely basis, which form the basis for decisions on the policy rate. However, the content of the analysis is somewhat technical and, therefore, there is room for making the underlying considerations for the policy decisions more accessible to a large proportion of market participants. An enhanced understanding of the analysis supporting policy decisions will allow market participants to better anticipate the NBRNM policy decisions and, therefore, would likely improve the effectiveness of monetary policy.</p>
Comments	
Principle 2.2.	<p>Cross-Border Financial Flows and Foreign Exchange Administration: The central bank is clear about its role in determining and implementing the policy on cross-border financial flows and foreign exchange administration. It discloses the objective(s), the legal and institutional frameworks it is acting under, its policy decisions, as well as the process by which policy decisions are taken.</p>
Principle 2.2.1.	<p>Objectives and Framework: The central bank discloses the policy’s objective(s), legal and institutional frameworks, and the strategy to achieve the policy objectives. There is clarity whether the central bank can delegate some of its functions to implement policy decisions to other entities and on the modalities of such delegation.</p>
Description	<p>The NBRNM contributes to the maintenance of a stable, competitive and market-based financial system. In order to achieve this objective (Article 6 Law on the NBRNM) and in accordance with the Law on Foreign Exchange Operations</p>

approved by the Parliament in 2001 and available on the NBRNM web-page, the NBRNM regulates, licenses, and supervises banks, savings houses, e-money companies and other financial institutions and supervises the application of the regulations that govern foreign currency operations, exchange operations, money transfer services and anti-money laundering systems and customer protection. The NBRNM attributions, responsibilities and powers related to the policy are complimented by the [Law on Foreign Exchange Operations](#). This Law regulates current and capital transactions, their execution in the form of payments and transfers as well as FX supervision and control. In addition, this Law also empowers the NBRNM to regulate certain aspects of the FX operations (e.g. Art.4, 14, 16, 20, 21, 23, 24, 26, 27, 29, 31, 36, 37, 40, 42, etc.) as well as assigns other relevant attributions, responsibilities and powers in this area (e.g., 36-a, 42, 45, etc.).

The NBRNM does not delegate to other entities functions in implementing the policy decisions.

Under Article 46 of the Law on the NBRNM, the NBRNM Council is charged with the formulation and the supervision of the implementation of the policies, and the supervision of the operations of the NBRNM.

According to Article 68 and 69 of the Law on the NBRNM, the NBRNM adopts by-laws and other acts necessary for achieving the objectives and carrying out the tasks entrusted to the NBRNM under this Law or any other law. All NBRNM acts that have general application shall be adopted in the form of Decisions. Decisions and instructions that have general application shall be published in the Official Gazette of the Republic of Macedonia. In addition to the NBRNM Law and the Law on Foreign Exchange Operations, the NBRNM publishes on its web-page decisions and instructions issued by it.

North Macedonia has to meet the requirements of the [Stabilization and Association Agreement \(SAA\)](#) entered into force in April 2004 in its process for the accession to the EU. Through this agreement (Articles 58 to 67), the authorities agreed to take measures permitting the creation of the necessary conditions for the further application of EU rules on the free movement of capital. In the EU, capital and investments must be able to move without restriction and common rules apply for cross-border payments.

References to the SAA are included in the IMF's Annual Report on Exchange Arrangements and Exchange Restrictions (AREAER) chapter for North Macedonia each time the NBRNM amends the regulatory framework for exchange

	arrangement and exchange restrictions. References to the SAA are also found in the Annual Report.
Review	<i>Expanded</i> The objectives as well as the legal and institutional frameworks of the policy are clearly defined and disclosed. The attributions, responsibilities, and powers of the central bank with respect to the policy are clearly distinguished from those of the government/ other agencies in this area and are included in the relevant legal framework (Law on the National Bank Law , Law on Foreign Exchange Operations, Law On Providing Fast Money Transfer Services) which is disclosed on the NBRNM webpage. The website also includes decisions and manuals related to FX operations.
Comments	Transparency can be enhanced with the disclosure of the strategy to achieve the NBRNM's policy objectives that includes an explicit reference to the SAA on the NBRNM's website, as is currently done in the IMF's AREAER.
Principle 2.2.2.	Policy Decisions: Policy decisions, whether on new actions or changes to standing policy or other changes in the regulatory framework, are publicly announced, explained, and disclosed in a timely manner. The central bank is clear about the process by which policy decisions are taken.
Description	<p>The Law on Foreign Exchange Operations regulates current and capital transactions and their execution in form of payments and transfers among residents and nonresidents. Inter alia, a provision on Article 37 of the Law on Foreign Exchange Operations allows the NBRNM to introduce protective measures in case of a threat of distortion in the balance of payments and of destabilization of the financial system of the Republic of North Macedonia, caused by a substantial outflow of capital from the Republic of North Macedonia.</p> <p>Article 43 of the Law entrusts the implementation of the Law to the NBRNM (in a capacity of supervisory body) in all the areas within its competence, in particular with regard to the supervision of the operations of authorized banks, savings houses and exchange offices (Article 45).</p> <p>The Law on providing fast money transfer services regulates the manner and the terms and conditions for providing fast money transfer services in the Republic of North Macedonia (Article 1).</p> <p>The Law on foreign exchange operations and Law on providing fast money transfer services contain obligation for the NBRNM to adopt certain by-laws. According to the Law on the NBRNM (Article 47 and 56), such by-laws are adopted by the NBRNM Council. Laws and by-laws are published in the Official Gazette and also disclosed on the NBRNM website.</p>

	<p>The NBRNM adopts and implements internal procedures (not publicly disclosed) for preparation and adoption of the by-laws/decisions. According to those internal procedures the by-laws prepared and adopted by the NBRNM Council are subject of prior discussion and analysis with other relevant institutions (Ministry of Finance, Financial Intelligence Office, etc.) as well as representatives of Macedonian Banking Association. This process includes request for feedback from relevant institutions and the private sector, power point presentations for the most important by-laws and also explanation to the public through Q&As.</p>
Review	<p><i>Core</i></p> <p>The main regulations are in the form of general legally binding rules, and information on the decision-making process and its stages (e.g., elaboration of proposal, drafting of the decision, public consultation, etc.) follows Parliamentary processes.</p> <p>In the case of by-laws, while the information on the decision-making process and its stages (e.g., elaboration of proposal, drafting of the decision, public consultation, etc.) is not publicly disclosed as it follows internal procedures, all decisions on the regulatory framework are publicly disclosed on the website (Decisions on Foreign Exchange Operations).</p>
Comments	<p>Disclosure of the process currently adopted for the preparation and adoption of any relevant NBRNM Decisions would enhance transparency.</p>
Principle 2.2.3.	<p>Supporting Analysis: The central bank discloses in a timely manner the supporting analysis, including the intended outcome that informs its policy decisions.</p>
Description	<p>For the implementation of any policy decision in case of threat of significant distortions in the balance of payments and of destabilization of the financial system, the NBRNM has to follow the procedures defined in Article 37 of the Law on Foreign Exchange Operations. Measures adopted by the NBRNM covered by Article 37 of the Law at the time of the Greek Crisis (June 2015) followed fully the legal procedures, and the NBRNM issued a Press Release on a timely fashion. The Press Release included, inter alia, a reference to the objectives of the NBRNM, as well as a reference to the relevant decision of the European Central Bank. The objective of the measure was also clearly discussed, as well as its content, and its temporary nature (i.e., for a maximum of six month).</p> <p>Under the Law on Foreign Exchange Operations, the NBRNM is empowered to issue different by-laws (decisions) that are disclosed in its website and publicly announced through press releases. While the press releases contain the objectives of the Decisions, a supporting analysis is not always provided.</p>

Review	<p><i>Core</i></p> <p>The central bank discloses in a timely manner the general considerations that underly a policy decision. The expected outcomes of policy decisions, in the context of the policy objectives, are disclosed.</p>
Comments	Transparency can be enhanced with the disclosure of detailed considerations (economic and other conditions and analysis) that result in a policy decision.
Principle 2.3.	Foreign Exchange Management: The central bank clearly and publicly discloses its foreign exchange policy objectives, including the hierarchy of objectives and the operational framework and instruments of foreign exchange interventions.
Principle 2.3.1	Objectives and Framework: The central bank discloses its policy objectives and legal, operational, and institutional frameworks, consistent with the chosen foreign exchange regime.
Description	<p>To achieve its final objective of preserving price stability, set forth in the Law of the NBRNM, the NBRNM has in place an exchange rate-targeting regime. This monetary policy regime is enshrined in the Strategic Plan of the National Bank of the Republic of North Macedonia for the period 2020–2022. The nature of the exchange rate-targeting regime is explained in the NBRNM’s official website—see the link Monetary Policy Design.</p> <p>The NBRNM sets the nominal denar exchange rate against the euro since January 2002 (during 1995 to 2002, the denar exchange rate was expressed against the German mark). The exchange rate is set on the basis of the daily quotes of the market makers. Specifically, it is determined at the end of each business day as the average of the daily bid-ask quotes for euros among the market makers in the interbank foreign exchange market. While under the Law on Foreign Exchange Operations (Article 33), the denar exchange rate is freely determined based on the supply and demand in the foreign exchange market, the NBRNM intervenes in the foreign exchange market (Article 34) to preserve exchange rate stability. The denar exchange rate is published daily on the NBRNM website.</p>
Review	<p><i>Comprehensive</i></p> <p>The NBRNM discloses the objective of its exchange rate policy, which is to maintain a stable nominal denar/euro exchange rate. The NBRNM conceives exchange rate policy as an integral component of its monetary policy objective of preserving low inflation. The exchange rate policy entails intervening in the foreign exchange market with the aim of preserving exchange rate stability as a mean of securing the stability of the general level of prices. Besides the motives of intervention, the NBRNM discloses the various tools at its disposal and the number of players in the foreign exchange market. While the <i>de jure</i> exchange</p>

	rate arrangement is identified as floating, the IMF AREAER classifies it as stabilized arrangement because of the NBRNM policy of intervening in the foreign exchange market.
Comments	
Principle 2.3.2.	Policy Decisions: The central bank discloses its decision-making process, including the rationale for foreign exchange management instruments, and the means and methods of reaching a decision. The potential impact of its policy decisions is explained in a timely manner.
Description	<p>The NBRNM defines the stability of the exchange rate as the intermediate target of its monetary policy regime. Since North Macedonia is a very small open economy, the NBRNM considers that exchange rate stability is a transparent nominal anchor that plays an instrumental role to buildup monetary policy credibility and effectiveness and help to maintain low inflation. Foreign exchange policy decisions are taken by the Committee for Operational Monetary Policy.</p> <p>The NBRNM sets the terms and conditions for buying and selling foreign currency on the domestic foreign exchange market, including the instruments, participants, type of transactions (spot, forward, FX swaps), means of communication and dealing, and settlement of transactions. They regulate the inter-bank foreign exchange market and the participation of the NBRNM on the domestic foreign exchange market. The NBRNM buys and sells foreign currency and foreign currency cash with banks and government authorities on the foreign exchange market. It performs these transactions with market-makers through an electronic trading platform on the interbank market, which are ruled by a market-maker contract on the foreign exchange market. The NBRNM introduced market makers to decrease its presence in the foreign exchange market and to enable banks to satisfy foreign exchange liquidity needs among themselves when demand and supply are in broad equilibrium. The provisions in the market-maker contract are uniform for all market-makers and are posted on the NBRNM website. The NBRNM lists on its website all domestic commercial banks that have signed the market-maker contract.</p>
Review	<p><i>Comprehensive</i></p> <p>The NBRNM discloses the nature of its monetary policy regime, which provides the rationale for its exchange rate policy. To preserve stable the denar/euro exchange rate, the NBRNM intervenes in the foreign exchange market buying and selling under terms and conditions determined by the Committee for Operational Monetary Policy. The impact on inflation of maintaining exchange rate stability, which results from the NBRNM's participation in the foreign exchange market, is stressed in the statement issued following the monthly meeting of the Committee for Operational Monetary Policy.</p>

Comments	
Principle 2.3.3.	Supporting Analysis: The central bank discloses its assumptions, transmission channels, and analysis backing the intervention policy decisions, as well as ex-post evaluation of economic impact.
Description	The NBRNM maintains a stable exchange rate against the Euro within a narrow fluctuation band of bid-ask exchange rates determined by the Committee for Operational Monetary Policy. The NBRNM provides an overview of the domestic foreign exchange market as an integral component of the Annual Report . It provides data on turnover, market trends, liquidity, and central bank interventions. The Monetary Policy and Research Department in the Recent Macroeconomic Indicators provides on a monthly basis information on the stock, shifts, and adequacy of foreign reserves. It also contains information on NBRNM's interventions on the foreign exchange market and transactions on behalf of the Government. This information is also included in the Quarterly report (monetary policy chapter).
Review	<i>Comprehensive</i> The NBRNM publishes through the Annual Report data on the amount of foreign exchange interventions, discusses the rationale for such interventions, and examines foreign exchange market developments. Moreover, the NBRNM discloses the size and direction of the interventions in the Quarterly Report (in the Balance of Payments section, Financial Account subsection, in the part commenting on the developments of the foreign exchange reserves), including the effect of foreign exchange interventions on the level of international reserves.
Comments	
Principle 2.4.	Foreign Exchange Reserve Management: The central bank discloses its policy objectives for foreign exchange reserve management, along with key considerations behind the policy, details on how oversight responsibility is allocated, and the potential impact of the policy.
Principle 2.4.1.	Objectives and Framework: The central bank discloses broad investment objectives, operative models, how it allocates oversight responsibility, and the institutional framework of its policy decisions.
Description	The Foreign Reserves and Investment Policy pursuant to the provisions of the Law on the NBRNM (Article 7 and 24) sets out the institutional framework for the effective management of the foreign exchange reserves. It also provides the governance structure and the division of responsibilities of the foreign reserves management process.

	<p>The Foreign Reserves and Investment Policy in its Article 3 defines the broad objectives that are the following: safety of foreign reserves, liquidity to ensure the availability of adequate funds for timely payment of liabilities and profitability. In its sections V, VI, and VII the Foreign Reserves and Investment Policy sets parameters for the control of credit risk and exposure limits, market risks and risk tolerance parameters and operational risk. The Foreign Reserves and Investment Policy also determines the division of responsibilities for the management and monitoring of foreign reserves assigning roles for the NBRNM Council, the Governor of the NBRNM that include the adoption of the Decision on establishing an Investment Committee, the Internal Audit Department, the Financial Market Operations Department and the Payment Systems Department.</p> <p>The NBRNM Financial Statements dedicates an entire section on the way the central bank manages financial risks, including the credit risk, market risk (exchange rate risk, interest rate risk) and liquidity risk. Although there is no clear separation in relation to other assets of the NBRNM, the policies adopted reflect mostly the management of risks applied to the NBRNM foreign reserves.</p> <p>The Annual Report provides an overview of the investment strategy, objectives and operative models. In its 2020 version the Annual Report provided detailed explanation on how the principle of security of investments in foreign reserves, guided several investment decisions during the year.</p> <p>The adequacy of reserves is presented in a chart of the Annual Report. The monthly bulletin also constantly makes reference for an analysis of foreign reserves adequacy indicators indicating whether the country's foreign reserves are within a safe zone. The quarterly report also makes references to the maintenance of an appropriate level expected throughout the forecasted period.</p>
Review	<p><i>Expanded</i></p> <p>Through its Foreign Reserves and Investment Policy NBRNM discloses key objectives, governance, risk exposure (credit , market and operational), and investment constraints.</p> <p>The Annual Report discloses how policy decisions interact with key objectives and other policies</p>
Comments	<p>A dedicated Report on International Reserves could provide a more detailed description that would include the objective of each policy decision, governance, risk exposure (credit and market), and investment benchmarks. It could also detail how each of these interact with other policies. In addition, this dedicated report</p>

	could provide more clarity on how the adequacy and liquidity of reserves are determined.
Principle 2.4.2.	Policy Decisions: The central bank discloses key elements of policy formulation, related risk exposures, instruments, decision-making hierarchy, and the oversight allocation process.
Description	<p>The Foreign Reserves and Investment Policy sets out the institutional framework for the effective management of the foreign exchange reserves. In its Chapter VIII. On the Division of Responsibilities in the Foreign Reserves and Management Policy, detailed information on the governance structure and the division of responsibilities of the foreign reserves management process is provided. The Financial Market Operations Department is responsible for maintaining the organizational structure and effective internal controls, which ensures the management and investment of foreign reserves to comply with the Foreign Reserves Management and Investment Policy and Foreign Reserves Management and Investment Guidelines. The Investment Committee is responsible for monitoring the implementation of the Foreign Reserves Management and Investment Guidelines, as well as monitoring and oversight of all foreign reserves management and investment processes. The NBRNM Council monitors the compliance of foreign reserves management and investment with the Law on the NBRNM and the Foreign Reserves Management Policy. The Governor of the NBRNM adopts the Foreign Reserves Management and Investment Guidelines and establishes the Investment Committee. Procedure rules for the Investment Committee are an internal document and Investment Committee decisions are disclosed only internally.</p> <p>The NBRNM reports annually and discloses the results from the management and investment of the Foreign Exchange reserves. The annual report is part of the Annual Report of the NBRNM. The report contains a review of the current allocation of foreign reserves, including currency composition, instruments, modified duration and credit exposure. An integral part of the foreign reserves management process is the risk management of market and credit risks when investing in various financial instruments.</p> <p>The NBRNM reports annually and discloses the results from the management and investment of the Foreign Exchange reserves. The annual report on the Investment and Management of the reserves is part of the Annual Report of the NBRNM.</p>
Review	<p><i>Core</i></p> <p>The Foreign Reserves and Investment Policy discloses the NBRNM's decision-making structure and authority to reach its investment and risk decisions. Key</p>

	assumptions and methods of reaching its investment decisions are discussed in the Annual Report.
Comments	<p>On the allocation of oversight responsibility, the Foreign Reserves and Investment could provide more clarity on the procedures that follow the submission of monthly reports by the Financial Market Operations Department to the Investment Committee and subsequent submission to the Governor.</p> <p>With due consideration for market sensitivities, the NBRNM could consider the disclosure of the deliberations of its investment committee with a defined lag (as opposed to not publishing them at all).</p>
Principle 2.4.3.	Supporting Analysis: The central bank discloses the key assumptions and assessment process related to its policy decisions.
Description	<p>The chapter of the NBRNM Annual Report on Foreign Reserves provides detailed information on the dynamics and main drivers of the FX reserves, the macroeconomics setting, the main changes in the strategic allocation and market positioning, composition of FX reserves, allocation to currencies, instruments and ratings. The NBRNM Annual Report contains an overview of the main risk exposures and performance measurement .It also discloses information on the Strategic allocation of the foreign exchange reserves , the tactical deviations and active management positions undertaken in order to outperform the return of the reference benchmarks. It also provides detailed information on any changes in the NBRNM's bylaws, investment policy or investment guidelines, capacity building, new instruments and technical infrastructure, etc. The Annual Report misses ex-post analysis linking to the strategic decisions taken and how these were impacted.</p> <p>The NBRNM website provides detailed data on foreign exchange rates, nominal exchange rates, real exchange rate and multilateral exchange rate.</p>
Review	<p><i>Core</i></p> <p>The NBRNM discloses in its Annual Report the rationale and economic analysis backing its strategic investment and risk decisions. The analysis and relevant data are easily accessible and published in a timely manner. Changes to operational mechanisms were communicated in 2016. Part VI of The Annual Report for 2016 on the Investment and Management of the FX reserves disclosed changes in strategic framework for implementing the process and the strategic allocation of foreign reserves management during 2016. Since then the subsequent Annual Reports have not included this reference.</p> <p>In addition, the NBRNM does not publish ex-post evaluations of impact and risk assessment at a defined frequency.</p>

Comments	<p>Disclosure could be enhanced if the Annual Report could contain references to the prevailing operational mechanisms with clear identification when the last changes were made. This would facilitate the understanding of the existing operational mechanisms.</p> <p>The NBRNM could also consider setting up a systemic ex-post evaluation of investment impact and risk assessments.</p>
Principle 2.5.	Macprudential: The objectives, decision-making process, and instruments of macroprudential policy are clearly communicated to the public. Indicators and supporting analysis to assess the need for macroprudential measures are disclosed alongside policy decisions.
Principle 2.5.1.	Objectives and Framework: The central bank discloses its macroprudential policy framework, including its objectives, instruments, and strategy for achieving its objectives.
Description	<p>Subordinated to preserving price stability, the NBRNM has the objective of contributing to the maintenance of a stable, competitive, and market-based financial system, as set forth in the Law on the NBRNM, Article 6 (2). This legislation implicitly lays the foundations for a macroprudential policy function. The NBRNM regulates and supervises the banking system, saving houses, and e-money companies. Other areas of the financial industry are regulated by separate agencies.</p> <p>The Banking Law implicitly empowers the NBRNM to undertake macroprudential measures to protect the stability of the banking system. Macroprudential instruments include broad-based capital tools, such as capital buffers (systemic risk capital buffer, countercyclical capital buffer, systemically important banks buffer, and capital conservation buffer), leverage ratio, household sector capital requirements, and a forward-looking loan loss provisioning requirement. The NBRNM has also introduced a liquidity coverage ratio—including a differentiation by currency. And while reserve requirements are used as a monetary policy tool to control banks' systemic liquidity, the NBRNM also applies differentiated reserve requirements by currency (domestic and foreign) and by deposit term, with the view of fostering long-term savings in domestic currency.</p> <p>The NBRNM's macroprudential strategy is laid out in its three-year Strategic Plan—currently for the period 2020-2022. New legislation is expected to be approved soon, which will define explicitly the NBRNM's role as a macroprudential policy regulator. This responsibility will be executed in cooperation with other supervisory authorities responsible for other segments of the financial industry.</p>
Review	<i>Core</i>

	<p>While the NBRNM does not have an explicit mandate to undertake macroprudential policy, the Law on the NBRNM and the Banking Law empower the NBRNM to safeguard the stability of the financial system and to undertake adequate measures. The NBRNM has not laid out explicitly macroprudential policy objectives given the lack of a formal mandate, but in practice it has introduced a wide range of macroprudential policy instruments, which aim at safeguarding the stability of the banking system. However, market participants have no clear understanding as to what macroprudential policy aims at and how it is different from microprudential policy. They do not associate macroprudential regulation and supervision with the objective of preventing the buildup of systemic risks.</p>
Comments	<p>Draft legislation enhancing the institutional support of macroprudential policy is expected to be discussed in the Parliament soon and its approval is expected to take place in the short run. Such legislation is expected to inform better the nature and scope of macroprudential policy.</p>
Principle 2.5.2.	<p>Policy Decisions: The central bank publicly announces its macroprudential policy decisions in a timely manner, and discloses the decision-making process leading up to macroprudential action.</p>
Description	<p>The adoption of macroprudential instruments is supported by the powers defined in the Banking Law. Since the NBRNM regulates the banking system, the dominant sector in the financial industry, it is in practice responsible for macroprudential policy decisions. The decisions adopted are then communicated to the financial system and posted in the NBRNM website.</p> <p>Additional information is offered with respect to capital buffers. Capital buffers are regulated by relevant by-laws that are publicly available. Based on the Decision on the Methodology for identifying systemically important banks the NBRNM makes publicly available once a year on its web site the list of identified systemically important banks. The aforementioned decision and the Instructions on Implementing the Decision on the Methodology for identifying systemically important banks determine the methodology and indicators that are basis for this buffer. In addition, the Decision on the Methodology for Determining the Rate of the Countercyclical Capital Buffer for Exposures in the Republic of Macedonia that is available on the NBRNM website also determines the timeline for the announcement and application of this buffer if higher than zero. The methodology for the systemic risk capital buffer is in its final stage and will be published on the NBRNM website as soon as it becomes final. Finally, in March 2017, a capital conservation buffer in line with the Basel III framework was announced for all banks.</p>

	<p>With the view of taking an integrated approach of the financial industry, a Financial Stability Committee (FSC) was established in 2009 based on a Memorandum of Understanding signed by the Governor of the NBRNM and the Minister of Finance. The committee serves as the coordination body for macroprudential policy and crisis management and does not have decision powers. In April 2020, a new MoU reconstituted the FSC, expanding its membership to also include the head of the other regulatory and supervisory financial authorities (the Agency for Insurance Supervision, the Securities and Exchange Commission, and the Agency for Supervision of Fully Funded Pension Insurance) and the Deposit Insurance Fund, thus providing a platform for policy coordination with the aim of strengthening the resilience to shock of the financial system. Decision powers rest on the NBRNM and each of the other supervisory agencies.</p>
Review	<p><i>Core</i></p> <p>Despite the lack of an explicit mandate for macroprudential policy, building on its financial stability mandate, the NBRNM has introduced macroprudential instruments. These instruments seek to create capital buffers and strengthen banks' liquidity, with emphasis on systemically important banks, and to prevent currency risks. Macroprudential instruments are established by the Banking Law and secondary legislation and their operation is defined by specific regulations and bylaws that are publicly available. Changes to the parameters of macroprudential instruments are publicly disclosed. Macroprudential policy decisions rest on the NBRNM and other regulatory and supervisory agencies. These decisions are publicly announced, but the decision-making process leading up to macroprudential action are known for the capital buffers in place but not for the rest of the macroprudential policy instruments.</p> <p>In general, there is no clear explanation to the public about the rationale and benefits of macroprudential policy and its instruments.</p>
Comments	<p>Communication is especially important for macroprudential policy formulation and implementation. By nature, macroprudential policy is not well understood by the public because decisions are often taken in the upswing of the economic cycle when the economy and credit are growing. With this perspective, the NBRNM could enhance its communication policy and, therefore, its transparency, by designing an integral macroprudential policy strategy, by which it elaborates the objectives of its macroprudential policy and explains the decision making process for the adoption of policy instruments or adjustments to the existing toolkit, which should be incorporated into the financial stability report, prepared once a year, as well as into other NBRNM relevant financial policy documents. By</p>

	enhancing transparency, the NBRNM could promote a better public understanding and acceptance of macroprudential policy.
Principle 2.5.3.	Supporting Analysis: The central bank discloses the key indicators and analyses used to assess the need for macroprudential measures. It explains the rationale and the expected transmission channels of policy instruments in achieving their objectives.
Description	<p>The NBRNM posts in its website financial soundness indicators, which are updated on a quarterly basis. With respect to deposit takers—the dominant financial intermediaries in the system—indicators address criteria of financial intermediation, capital adequacy, asset quality, liquidity position, earnings and profitability, and about sensitivity to market risk. The NBRNM also posts indicators about insurance companies, pension funds, and the corporate sector. Financial soundness information is complemented with data on households' debt indicators and about the real estate market.</p> <p>This information is, in turn, discussed in the Financial Stability Report that is prepared once a year. The report not only assesses the information and trends of different groups of institutions in the financial system (banks, insurance companies, pension funds, leasing firms, and investment funds), but also of financial markets, where money and short-term securities market, capital market are analyzed. The report evaluates potential risks arising from the evolution of financial soundness indicators in each group of financial intermediaries, from the interconnection between banks, and from the interconnection between banks and other financial intermediaries.</p>
Review	<p><i>Core</i></p> <p>The NBRNM discloses and update on a regular basis the financial soundness indicators for different activities of the financial industry (banks, insurance companies, pension funds, leasing firms, and investment funds) as well as data on households' debt indicators and about the real estate market. The NBRNM examines risks to the stability of the financial system in its Financial Stability Report based on the analysis of the evolution of financial data from deposit and non-depository institutions in the financial industry as well as the evolution and risks facing different financial markets' activities. However, the analysis does not map macroprudential policy instruments with systemic financial risks, does not identify the transmission channels of policy instruments, and does not explain either how policy decisions can help mitigate these risks.</p>
Comments	The communication policy strategy mentioned in 2.5.2 could also explain the rationale of macroprudential policy measures, with emphasis on their expected benefits, and set out the transmission channels of macroprudential instruments,

	explaining the link between policy decisions and the targeted systemic financial risk.
Principle 2.6.	Microprudential Supervision: Selected principles from BCP, ICP, and IOSCO.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 2.7.	Emergency Liquidity Assistance: The central bank discloses the scope and objectives of emergency liquidity assistance, while maintaining the necessary confidentiality, to preserve financial stability and in support of monetary policy and its implementation.
Description	<p>Article 22 of the Law on the NBRNM sets the option for the NBRNM to extend emergency liquidity assistance, with predefined scope and objectives of this tool, as well as set of rules. In exceptional circumstances, the NBRNM may, on such terms and conditions as the NBRNM Council determines, act as lender of last resort for the banks in the Republic of North Macedonia. The NBRNM 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. The NBRNM shall provide credit of last resort only if: (i) the bank, in the opinion of the NBRNM, is solvent; (ii) the credit is approved for the purposes of improving liquidity; and (iii) the bank provides adequate collateral. The NBRNM Council shall determine the categories and the value of the collateral set forth in paragraph (2) item 3 of Article 22. If the NBRNM discovers that the concerned bank was unable to carry out the approved program as mentioned in paragraph (1) of Article 22, the NBRNM shall take appropriate measures in accordance with the Banking Law.</p> <p>All aspects of the emergency liquidity assistance credit (interest rate, maturity, adequate collateral, etc.) are covered in the Decision on the credit of last resort (legal framework) adopted by the NBRNM Governing Council and List of margin ratios on the instruments used as collateral, passed by the Governor. All these documents are available on the website.</p>
Review	<p><i>Comprehensive</i></p> <p>The NBRNM differentiate adequately its ELA framework from its system-wide liquidity management framework.</p> <p>The NBRNM's above-mentioned documents available on its website are clear about institutional eligibility (Article 22 of the Law); conditionality associated with</p>

	ELA provision (NBRNM's Decision); supervisory intrusion associated with ELA provision; and associated financial parameters (NBRNM's Decision and List of margin ratios).
Comments	
Principle 2.8.	Resolution: Selected principles from KA.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 2.9.	Financial Market Infrastructures: Selected principles from PFMI.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 2.10.	Financial Integrity: The central bank discloses its policies and powers for Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) supervision, and a description of its internal control framework relating to the activities or services that may give rise to Money Laundering/Terrorist Financing (ML/TF) risk.
Description	<p>AML/CFT Supervision</p> <p>As stipulated in the Law on Money Laundering Prevention and Other Criminal Proceeds and Financing Terrorism, the NBRNM is the designated AML/CFT supervisor for banks, savings houses, exchange offices and providers of fast money transfer. The Law of the NBRNM (Article 7) also stipulates that the NBRNM shall supervise the application of regulations that govern "anti-money laundering systems." The NBRNM has also published several guidances to supervised entities: Decision on Methodology for managing ML/TF risk and Instructions for assessing sectoral ML/TF risks (both available on the NBRNM website in Macedonian and English).</p> <p>AML/CFT Internal Controls</p> <p>The NBRNM has identified several areas that potentially expose it to ML/TF. To mitigate and address these risks, the NBRNM has newly adopted a policy on internal AML/CFT control measures (in March 2021)—Policy of the NBRNM of the Republic of North Macedonia on managing risk related to money laundering and financing of terrorism (policy on ML/TF risk management). This policy envisions three levels of defense: (i) first level occurs at the transactional level within the Payment Systems Department in the form of customer due diligence and compliance measures (such as customer identification and verification, SWIFT's sanctions screening tool, and ongoing transaction and customer monitoring); (ii) second level of compliance is currently conducted by the Office for Strategy and</p>

	<p>Prevention in form of a legal opinion for a transaction flagged as suspicious; and (iii) third level is the Internal Audit Department. Risks are flagged from first level and elevated where necessary to the second level. The AML/CFT officer position is vacant at present and remains to be designated by the Governor. The policy, including staffing of vacant positions, was adopted in March 2021 but is intended to be fully implemented in January 2022 upon the designation of the AML/CFT officer.</p>
Review	<p><i>Core</i></p> <p>The NBRNM discloses an overview of its AML/CFT supervisory policies, as well as information on its AML/CFT supervisory powers. Language from Article 7 of the Law of the NBRNM (including with respect to AML/CFT supervision) is published on the NBRNM’s website. Although the Law on Money Laundering Prevention is referenced in the supervisory materials published by the NBRNM, it is not referenced in the Law of the NBRNM. The Law on Money Laundering Prevention is available on the NBRNM’s website in Macedonian.</p> <p>The National Bank discloses a description of its internal AML/CFT control framework relating to its activities/services that give rise to ML/TF risk. The National Bank has a newly developed internal control framework, although it is not yet fully implemented. The Payment Systems Department has staff conducting customer due diligence functions of the payment transactions, and the National Bank plans to have staff with dedicated internal control and compliance functions although not all positions have been filled.</p>
Comments	<p>AML/CFT Supervision</p> <p>The NBRNM should consider publishing the Law on Money Laundering Prevention in English on its website as a part of the legal framework underpinning its risk-based AML/CFT supervision.</p> <p>AML/CFT Internal Controls</p> <p>The NBRNM should expeditiously fill the position of the AML/CFT officer to allow for full execution of the AML/CFT internal control policy.</p>
Principle 2.11.	Consumer Protection: The central bank discloses its policies relating to consumer protection, conducted solely or jointly with other agencies.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable

Pillar III—Central Bank Operations	
Principle 3.1.	Monetary Policy: The central bank discloses its operational framework with a well-defined operational target, objectives, instruments, collateral, and access criteria.
Principle 3.1.1.	Instruments: The central bank discloses its monetary policy instruments.
Description	<p>The main objective of the monetary policy, the framework and types of monetary policy instruments are set out in the Law on the NBRNM. Additionally, in the three-year Strategic plan, the NBRNM clearly defines its strategic objectives, with an explanation of the mechanisms and tools the central bank will use in order to achieve those objectives.</p> <p>The NBRNM's Decisions regarding the monetary policy operational framework, key objective, operational target and instruments are disclosed to the public on the website.</p> <p>The monetary strategy of targeting the denar exchange rate against the euro is also discussed in the IMF's Annual Report on Exchange Arrangements and Exchange Restrictions (AREAER).</p> <p>The articulation of the operational target and objectives is discussed on the website, in particular how price stability and the use of the monetary instruments are related, noting the complexities of the transmission mechanism, and the role of operational and intermediate targets. The NBRNM also discusses on the website that by using interest rates and, hence the level of liquidity, monetary policy actions strive to influence the level of the exchange rate as an intermediate target of monetary policy in the context of the current strategy of targeting the denar exchange rate against the euro.</p> <p>While the NBRNM doesn't have a comprehensive counterparty framework, its Decisions for each monetary policy instrument include provisions on the access to the instrument by its counterparties (banks and branches of foreign banks).</p> <p>The NBRNM has disclosed to the public in a timely manner (i.e., periodic Newsletters posted on the website) the ongoing efforts to strengthen its institutional capacity in the process of ESCB accession, in particular in the context of the now completed Twining Project funded by the European Union.</p>
Review	<p><i>Comprehensive</i></p> <p>The set of monetary instruments is disclosed to the public, as well as the operational target of monetary policy in the context of the current monetary strategy of targeting the denar exchange rate against the euro.</p>

	<p>The articulation of the operational target and objectives is discussed on the website.</p> <p>Ongoing efforts to align the monetary policy operational framework with the practices of the ESCB are timely disclosed to the public, in particular in the section of the website dedicated to the EU relations.</p>
Comments	
Principle 3.1.2.	Coverage: The central bank discloses: (i) the type of instrument (open market operations, standing facilities, other facilities, reserve requirements, and direct instruments of monetary control); (ii) the characteristics of each instrument; and (iii) the collateral framework.
Description	<p>The types of monetary policy instruments are set out in the Law on the NBRNM. For each monetary instrument (Central Bank Bills, Auctions of repo transactions, Outrig Reserve transactions, Deposit Facility, Marginal lending facility, Intraday credit, Reserve Requirements) the NBRNM's Decisions posted on the website explain the terms and conditions of the monetary instruments, their functions, data on the latest operations and history of operations, as well as the legal framework. The Decisions contain the detailed characteristics (maturity, interest rate, auctioning method, collateral and haircuts, etc.) of each instrument and are regularly updated when there are any changes/amendments.</p> <p>Changes in the reserve requirement ratio are communicated in a timely fashion immediately after they are decided through amendments to the NBRNM's Decision on the reserve requirement instrument, as well as in a dedicated window in its website.</p> <p>The way the NBRNM calibrates its discretionary monetary operations is explained in the Monetary Policy Implementation section of the website (i.e., depending on the liquidity in the overall banking system). The website also explains that the structural position of the banking system relative to the central bank leads to a long-term dominance of the operations for withdrawal of liquid assets from the banking system through issuing securities (Central Bank bills) by the NBRNM. On the other hand, in order to satisfy short-term liquidity shortage in the banking system, the NBRNM conducts repo operations to provide liquidity. Outright purchase and sale of securities on the secondary market are less present.</p> <p>A collateral framework is defined in the Decision on determining the instruments used as collateral in the context of monetary operations, including the list of accepted securities, while in the List of securities for conducting monetary operations other elements, such as the margin ratios, are defined. In addition, the</p>

	<p>NBRNM publishes daily information about the purchase prices for all the accepted collateral on the NBRNM's electronic system used by all accepted counterparties for monetary operations.</p> <p>The NBRNM's electronic platform that is used by counterparties for accessing the monetary operations that it initiates also provides information about the amount of liquidity that banks can obtain from the NBRNM based on their accepted collateral availability.</p>
Review	<p><i>Comprehensive</i></p> <p>The NBRNM discloses on its website the terms and conditions of its monetary operations and reserve requirements, as well as the related detailed regulations. This information is regularly updated.</p> <p>The NBRNM's Annual Report discusses how the level of reserve requirements is assessed, including the rationale for the differentiated reserve requirements ratio on domestic and FX deposits. Temporary non-standard measures that have been used are also described in the Annual Report, such as those aimed at stimulating credit support to specific economic sectors that were activated in 2020.</p>
Comments	
Principle 3.1.3.	Access: The central bank discloses the monetary policy counterparties' framework.
Description	While the NBRNM does not have a comprehensive counterparty framework, the Decisions for each monetary policy instrument includes the provisions about access to the instrument by counterparties (i.e., banks and branches of foreign banks). The NBRNM's Decisions for each instrument that are published and regularly updated on its website describe the monetary policy counterparties' framework.
Review	<p><i>Core</i></p> <p>The categories of monetary policy counterparties and access rights are clearly defined and disclosed.</p>
Comments	The development of a comprehensive counterparty framework (already included in the Plan of Activities for 2021) would enhance further transparency.
Principle 3.2.	Cross-Border Financial Flows and Foreign Exchange Administration: The central bank discloses how it implements this policy in terms of the instruments and the scope of its operations and actions.
Principle 3.2.1.	Instruments: The central bank's instruments for implementing the policy and the circumstances in which they can be used are clearly defined and disclosed.

Description	<p>The above-mentioned Law on Foreign Exchange Operations (FX Law) contains regulations on current and capital account transactions and their execution in form of payments and transfers among residents and nonresidents (see 2.2.2).</p> <p>The FX Law provides for the issue of licenses for the FX offices (Article 36), the reporting requirements for different transactions (e.g. Article 14, 16, Section 8 etc.), supervisory attributions (e.g. Section 9 “Supervision”) as well as penalty provisions (e.g., Section 10). According to this Law (Article 26) the NBRNM shall carry out international payment operations for the needs of the Republic of North Macedonia. This FX Law (Article 34) indicates that the NBRNM participates in the foreign exchange market to achieve the goals determined with the monetary and the foreign exchange policies.</p> <p>The FX Law and the Law on providing fast money transfer services entitle the NBRNM to regulate certain aspects that, according to the NB Law, is implemented through the adoption by-laws by the NBRNM.</p> <p>Law on providing fast money transfer services provides for the issue of license or approval for providing fast money transfer services (e.g., Article 9), reporting requirements (e.g., Article 24), supervisory attributions (e.g., Section VII) and penalty provisions (e.g., Section VIII).</p> <p>Article 68 of the Law on the NBRNM specifies that all NBRNM acts that have general application shall be adopted in the form of Decisions. With a view to implementing decisions that have general application, the NBRNM may issue Instructions. The NBRNM may issue, to banks and other entities, nonbinding Circulars on the general rules and trends related to the NBRNM responsibilities and activities.</p> <p>The NBRNM web-page discloses the NBRNM decisions in the area of FX operations as well as “manuals from the area of FX operations.”</p> <p>The NBRNM practices the publication of the consolidated version of the Laws on its webpage, while by-laws do not follow this practice.</p> <p>The by-laws/Decisions are posted in the NBRNM website in a timely manner.</p>
Review	<p><i>Core</i></p> <p>The instruments (i.e., decisions, licenses/approvals, reports, monitoring and enforcement instruments, and foreign exchange transactions) that the NBRNM uses to implement the policy are clearly defined and disclosed in the Law on the NBRNM, Law on Foreign Exchange Operations and Law on Fast Money transfer</p>

	<p>services. All these Laws are easily accessed on the NBRNM website page. The following information is also disclosed in the NBRNM website: (i) types of licenses/approvals that the NBRNM can grant; (ii) the types of reports to be submitted to the NBRNM; and (iii) the types of monitoring and enforcement instruments (including sanctions) that the NBRNM can use.</p>
Comments	<p>Disclosure of a consolidated version of the by-laws incorporating all amendments, together with a brief description (e.g., objectives and scope) would enhance transparency. A dedicated section on the NBRNM website written in an easily understandable manner for the general public (not only banks and informed professionals) would be helpful for the disclosure of the types of licenses and approvals that the NBRNM can grant; the types of reports to be submitted to the NBRNM; the types of monitoring and enforcement instruments (including sanctions) that the NBRNM can use.</p>
Principle 3.2.2.	<p>Coverage: The central bank discloses information about the persons (entities and individuals), transactions, and other aspects of the foreign exchange system that it can and does regulate; persons, transactions, and activities that it can license, approve, monitor, and sanction; and foreign exchange transactions that it can perform.</p>
Description	<p>The NBRNM follows a regulatory framework consisting of laws and the NBRNM regulations (decisions, instructions, manuals) that describes activities, persons and transactions and other aspects of the FX system that it is entitled to regulate/license/approve/supervise/monitor/sanction.</p> <p>The Law on Foreign Exchange Operations contains regulations on current and capital account transactions and their execution in form of payments and transfers among residents and nonresidents (see 2.2.2).</p> <p>The Law on Foreign Exchange Operations provides for the issue of licenses for the FX offices (Article 36), governs carrying out of FX transactions including safeguard measures (e.g., in Sections 2-5, 7), the reporting requirements for different transactions (e.g., Article 14, 16, Section 8 etc.), supervisory provisions (e.g., Section 9 "Supervision") as well as penalty provisions (e.g. Section 10).</p> <p>According to Articles 16, 17, 18, 19, 20, and 21 of the Banking Law, the Governor issues a license for establishing and operating a bank.</p> <p>According to Articles 6, 7, 7-a, 8, and 9 of the Law on providing fast money transfer services, the Governor issues a license or approval for providing fast money transfer services.</p>

	<p>According to Items 3, 4, 5, 6, 7, and 8 of the Decision on currency exchange operations, the Governor issues a license to currency exchange operators. All authorized participants shall regularly submit reports to the NBRNM on all residents' investments in securities abroad, as well as the modifications in these investments, including their sale.</p> <p>The IMF's AREAER chapter for North Macedonia also includes a summary description of the regulatory framework for exchange arrangement and restrictions, as well as how the NBRNM implements its Cross-Border Financial Flows and Foreign Exchange Administration.</p>
Review	<p><i>Core</i></p> <p>The regulatory framework (laws, NBRNM decisions, manuals, instructions) clearly defines, and by publishing them in its web-site the NBRNM discloses the following: the types of activities, persons, and transactions falling under the supervision of the NBRNM; the rules and conditions for carrying out regulated transactions and activities; the licensing/approval requirements; the considerations underlying the decisions on granting the license/approval (or denial of it) for the various activities/persons; the procedure for granting licenses/approvals, including the time limit within which a decision must be made and communicated to the affected person and the role and responsibilities of its decision; the making bodies involved in the process; the reporting requirements that entities (including banks) and individuals must comply with and the types of persons/transactions that are subject to such requirements; the forms in which required reports are collected and the relevant compilation guidelines; the types of entities/individuals/transactions that are subject to monitoring by the NBRNM and the relevant monitoring instruments; the types, scope, and extent of sanctions that can be imposed for noncompliance with the various National by-laws/decision. The NBRNM's decisions in individual cases, including the considerations underlying the rejection of a request for license/approval (if any) are communicated to the affected persons in a timely manner.</p>
Comments	<p>The public disclosure of a more user-friendly description of licensing/approval requirements, and documents to be submitted in that regard would enhance further transparency. The conditions for granting a license/approval automatically (if any) and the procedure for imposing sanctions for noncompliance with the regulatory framework and decisions in individual cases could be explicitly stated and explained to the public through Q&As that are easily accessible.</p>
Principle 3.3.	<p>Foreign Exchange Management: The central bank discloses how it implements its foreign exchange policies framework in terms of instruments, markets, size, and mode of access.</p>

Principle 3.3.1.	Instruments: The central bank discloses the set of instruments used for foreign exchange management policy, key considerations under which these instruments are chosen, and eligibility criteria of counterparties and mode of access.
Description	<p>The NBRNM's Decision on the manner and the terms for buying and selling foreign currency published on the website sets forth the manner and the terms for buying and selling foreign currency on the domestic foreign exchange market.</p> <p>The NBRNM's Decision on the manner and the terms for buying and selling foreign currency governs the instruments, participants, type of transactions (spot, forward, FX swaps), means of communication and dealing, settlement of transactions. It regulates the inter-bank foreign exchange market and the participation of the NBRNM on the domestic FX market. The Decision also clearly defines the criteria that market-makers should fulfil to participate in the foreign currency operations of the NBRNM.</p> <p>Article 15 of the above-mentioned Decision on the manner and the terms for buying and selling foreign currency stipulates that "The National Bank shall buy and sell foreign currency and foreign currency cash with banks and government authorities on the foreign exchange market."</p> <p>The IMF's AREAER includes a summary description about how the NBRNM implements its foreign exchange policy framework. It describes the operating framework (i.e., FX interventions within a narrow fluctuation band of bid-ask exchange rates determined by the Committee for Operational Monetary Policy).</p> <p>The NBRNM publishes the size and direction of its FX interventions on its Quarterly Report (Balance of Payments section, Financial Account subsection, in the part commenting on the developments of the foreign exchange reserves).</p>
Review	<p><i>Comprehensive</i></p> <p>The NBRNM clearly discloses the instruments it intends to use to achieve the desired objectives of foreign exchange interventions, as well as eligible counterparties and eligibility criteria, which exclude forward and other types of derivative instruments.</p> <p>The NBRNM publishes the regulation governing the conduct of FX operations and access rules. It also discloses the type of instruments, modalities of its FX operations, and their intended policy objectives in the context of its current strategy of targeting the denar exchange rate against the euro.</p>

	The NBRNM discloses its operational strategy (interventions within a narrow fluctuation band of bid-ask exchange rates determined by the Operational Monetary Policy Committee), as well as the size and direction of its FX interventions in its Quarterly and Annual Reports.
Comments	While stakeholders are satisfied with current transparency practices, a public disclosure of the composition, function and responsibilities of the Operational Monetary Policy Committee would enhance further transparency of foreign exchange policies implementation.
Principle 3.3.2.	Coverage: The central bank discloses the markets and agents who are targeted by the FX management policy.
Description	<p>The provisions in the above-mentioned NBRNM's Decision on the manner and the terms for buying and selling foreign currency stipulate the markets and counterparties for its purchases and sales of foreign currency with market-makers through the NBRNM's electronic trading platform. The Decision also clearly defines the criteria that market-makers should fulfil for trading with the NBRNM. In particular there is a uniform market-maker contract that is posted on the NBRNM website. The NBRNM lists, on its website, all domestic commercial banks that have signed such a market-maker contract.</p> <p>The above-mentioned Decision allows the NBRNM to buy and sell foreign currency to all banks in case of larger imbalance between supply and demand on the foreign exchange market, which is a result of adverse movements in the balance of payments or withdrawal of foreign currency deposits by banks' clients. So far, this possibility has never been activated, and all purchases or sales of foreign currency have been conducted with the market makers.</p> <p>The IMF's AREAER includes a summary description of the markets and agents who are targeted by the NBRNM's FX management policy.</p>
Review	<p><i>Expanded</i></p> <p>The NBRNM discloses the foreign exchange management framework of its operations, the markets in which it operates, and its framework for choosing institutions to transact with.</p> <p>The NBRNM discloses the rules governing modes of operations, and markets, as well as the eligibility criteria of its FX management counterparties.</p>
Comments	The public disclosure of the sanctions in the case of non-compliance with the regulatory framework would enhance transparency.

	In the communication tools related to the NBRNM's FX operations, the inclusion of information on the categories of its actual counterparties (i.e., explicit mention that FX interventions were conducted exclusively with market makers, or also with other banks) would enhance further the transparency of its foreign exchange operations.
Principle 3.4.	Foreign Exchange Reserve Management: The central bank discloses the general principles governing its foreign exchange reserve management operations, including relationships with counterparties and service providers.
Principle 3.4.1.	Instruments: The central bank discloses the broad selection criteria for eligible asset classes, composition of instruments, investment horizon and constraints.
Description	<p>The list of eligible assets, financial instruments and transactions is stipulated by the Law on the NBRNM (Article 24). The Foreign Reserves and Investment Policy specifies the eligible asset classes and financial instruments. It also stipulates the market risks, defines the investment horizon, portfolio tranching of the foreign exchange reserves. Article 6 of the Foreign Reserves and Investment Policy states that the strategic asset allocation of the foreign reserves and corresponding investment benchmarks are established in the Foreign Reserves Management and Investment Guidelines.</p> <p>Foreign Reserves Management and Investment Guidelines is an internal document not publicly disclosed.</p> <p>The NBRNM states that composition and allocation of assets to various portfolios is considered as proprietary information and is only internally discussed. As a result sharing of proprietary information would render its investment framework less valuable and would undermine market positioning.</p> <p>The NBRNM's Annual Reports disclose information on the composition of assets and financial instruments, currency composition of the FX reserves, interest rate exposure (value-at-risks) and performance reports in absolute terms and relative to the benchmarks. These benchmarks are not disclosed.</p> <p>FY 2020 Financial Statements (Note 3. Financial Risk Management) contains detailed information on the level of and development in the NBRNM's exposures to the principal financial risks. In addition to the structure of the portfolios, the disclosure note includes information on eligible counterparties and bond issuers, permissible limits, mitigations, benchmarks, as well as quantified exposures and references to methods/concepts used for quantification.</p>
Review	<i>Core</i>

	<p>The NBRNM discloses broad criteria on selection of reserve assets, instruments, and limited risk disclosures.</p> <p>The disclosure of the composition of eligible reserve assets and instruments and risk disclosures by asset class is considered by the NBRNM disclosure of proprietary information, which is only internally discussed.</p> <p>The level of disclosure that the NBRNM provides is its choice and reflects the level of transparency it intends to pursue. The CBT Review is not aimed at dictating a level of transparency. CBT provides a range of practices of how the CBT principles could be implemented and reflect the design of the CBT to be relevant to all Fund member countries' central bank and not to a specific group of countries. The practices are also not intended to be a tool for transparency ranking of central banks.</p>
Comments	<p>Disclosure could be enhanced if the NBRNM communicates its stakeholders of its choice of not disclosing what it considers proprietary information and its own reasons for this choice.</p> <p>Alternatively, disclosure could be enhanced with the inclusion of more detailed information on the composition of eligible assets and instruments for each portfolio.</p>
Principle 3.4.2.	Coverage: The central bank discloses the criteria to select eligible market counterparties and service providers and eligible markets to conduct its operations.
Description	<p>The Foreign Reserves and Investment Policy specifies in broad term the credit risk, the exposure limits and risk tolerance parameters.</p> <p>According to Article 8 of the Foreign Reserves and Investment Policy the lists of eligible countries, issuers and counterparties, as well as quantitative limits of exposure are specified in the Foreign Reserves Management and Investment Guidelines.</p> <p>The Foreign Reserves Management and Investment Guidelines provide methodologies for selecting eligible counterparties. It is classified as an internal document and its content is not publicly disclosed.</p>
Review	<i>Core</i>

	<p>The Foreign Reserves and Investment Policy discloses broad criteria to select eligible counterparties and service providers (e.g., dealers, custodians) and eligible issuers.</p> <p>The NBRNM does not disclose rules and procedures for selection of counterparties, custodians, and service providers.</p> <p>The level of disclosure that the NBRNM provides is its choice and reflects the level of transparency it intends to pursue. The CBT Review is not aimed at dictating a level of transparency. CBT provides a range of practices of how the CBT principles could be implemented and reflect the design of the CBT to be relevant to all Fund member countries' central bank and not to a specific group of countries. The practices are also not intended to be a tool for transparency ranking of central banks.</p>
Comments	<p>Disclosure could be enhanced if the NBRNM communicates its stakeholders of its choice of not disclosing the rules and procedures for the selection of counterparties, custodians and service providers and its own reasons for this choice.</p> <p>Alternatively, the central bank could disclose rules and procedures for selection of markets in which it operates, counterparties, custodians, and service providers.</p>
Principle 3.4.3.	Assessment: The central bank discloses criteria to assess adequacy and liquidity parameters and discloses such analysis regularly, at predetermined times.
Description	<p>The Monetary Policy and Research Department in the Recent Macroeconomic Indicators Report discloses information on the reserve adequacy on a monthly basis. Macroeconomic forecasts and risks Quarterly Report provides information on the stock, shifts and adequacy of foreign reserves. In addition, the Statements of the Committee for Operational Monetary Policy contain an assessment on the adequacy of the foreign exchange reserves. The Financial Market Operations Department (the department responsible for managing the reserves) through the Investment Committee provides reports to the NBRNM Council on the management and investment of foreign reserves on a quarterly basis and these reports are shared with the Ministry of Finance. On an annual basis, the Annual Report contains data on the stock of official reserve assets, transactions, foreign exchange and market revaluations and other changes in volume. The Annual Report also discloses a chart on the adequacy of foreign reserves by different methodologies (Greenspan–Guidotti rule, adequate level of GFR IMF rule of thumb, and months of imports).</p>
Review	<i>Expanded</i>

	The annual report contains a general assessment of reserve adequacy, liquidity, and limited risk exposure specific to reserve management operations.
Comments	The NBRNM could consider disclosing information on annual liquidity stress tests. It could also consider publishing a reserve adequacy assessment in the Annual Report Section on Foreign Reserves and a risk statement outlining the financial, operational, and other risks arising from its operations with a defined time lag.
Principle 3.5.	Financial Stability Assessments and Stress Testing: The central bank periodically discloses its assessment of domestic financial stability to the public and is transparent about the methods used for such assessments, including its framework for stress testing.
Principle 3.5.1.	Financial Stability Assessments: The central bank periodically provides to the public its assessment of risk to financial stability, including new and emerging sources of vulnerability.
Description	<p>NBRNM prepares and makes publicly available Quarterly Reports on the risks in the banking system and an annual Financial Stability Report (FSR).</p> <p>The results of sensitivity analysis stress tests are published in the Quarterly Reports on the risks in the banking system. The methodology for sensitivity analysis is explained in each report.</p> <p>A Macro stress test is prepared once a year and is published in the annual FSR. The methodology, (methods and assumptions) for the macro stress test is also published (latest in the FSR for 2015, Annex 1 and in following FSRs there is reference to 2015 FSR).</p> <p>In the course of 2020 NBRNM made several simulations on the effects of the COVID-19 measures on loans (alteration of loan conditions) for internal use.</p> <p>According to the Law on the NBRNM, Article 38 (2), the NBRNM publishes the annual FSR on its website. Also, the NBRNM quarterly publishes Financial Soundness indicators (FSI) that are prepared according to the new IMF Guide from 2019, as well as the main financial stability indicators of the banking system.</p>
Review	<p><i>Comprehensive</i></p> <p>The NBRNM publishes at pre-set intervals (quarterly for sensitivity stress tests, annual for macro stress tests) information on its assessment of financial sector vulnerabilities, and it has published the methods and underlying data used for such assessments. The NBRNM also publishes on a quarterly basis FSIs and other financial stability indicators of the banking system.</p>

	The Annual FSR includes a discussion on new and emerging vulnerabilities in the Financial Sector, including most recently (i.e., 2020 FSR) with regard to developments related to the COVID-19 crisis.
Comments	
Principle 3.5.2.	Macprudential Stress Testing Methods: The central bank discloses the methods and key assumptions of the stress testing framework.
Description	<p>The methodology and assumptions for the sensitivity analysis are explained in each Quarterly Report on the risks in the banking system.</p> <p>The methodology, method and assumptions for the macro stress test are also published (latest in the FSR for 2015, Annex 1 and in following FSRs there is reference to 2015 FSR).</p> <p>The methodology for a bottom-up stress test exercise with all banks currently under way clearly determined and communicated to the banks, in written form and also discussed on a meeting.</p>
Review	<p><i>Comprehensive</i></p> <p>The NBRNM discloses the types of stress tests it undertakes; the results of stress testing analysis on an aggregated basis, as well as the stress testing methodology.</p>
Comments	Once it is completed, the use of the results of the bottom-up stress test exercise for supervisory purposes, and their publication in aggregate form will enhance further transparency.
Principle 3.5.3.	Stress Testing Coverage: The central bank discloses the coverage of the stress testing exercise.
Description	<p>The coverage of the stress testing exercise is described in the methodology note presented in the above-mentioned Annex 1 of the 2015 FSR, and it has not changed. The Quarterly Report on the risks of in the banking system indicates that stress tests are made on the overall banking sector excluding a state-owned specific purpose bank. The list of the banks is disclosed on the NBRNM website, and the name of the state-owned specific purpose bank is public knowledge.</p> <p>Aggregate results of the stress tests are publicly disclosed, while bank by bank results are disclosed anonymously, or in a descriptive form in the Quarterly Report on the risks in the banking system and in the annual FSR.</p>
Review	<p><i>Comprehensive</i></p> <p>The number and names of the financial institutions covered by the stress test exercise is publicly known.</p>

Comments	
Principle 3.5.4.	Central Bank Use of Stress Test Results: There is clarity about the ways the central bank uses the stress test results.
Description	The methodology note discusses the main purpose of the stress test exercise. For now, the stress test results are used only for analytical purposes, in particular for the Quarterly Report on the risks in the banking system and in the Annual FSR.
Review	<i>Core</i> The main purpose of the stress test exercise is publicly explained.
Comments	Disclosure of whether and how aggregate stress tests results may affect policy decisions as well as other aspects of the NBRNM dealing with financial institutions would enhance transparency.
Principle 3.6.	Macroprudential Policy Implementation: The central bank discloses how it implements macroprudential policies, including the design of policy instruments and enforcement arrangements.
Principle 3.6.1.	Instruments: The central bank discloses the precise design and objectives of its macroprudential instruments, including the scope of entities and financial instruments subject to macroprudential constraints.
Description	The NBRNM has introduced an array of macroprudential instruments in the last years. They include broad-based capital tools, such as capital buffers (systemic risk capital buffer, countercyclical capital buffer, systemically important banks buffer, and capital conservation buffer), a limit on the leverage ratio, household sector capital requirements, and a forward-looking loan loss provisioning requirement. The NBRNM has put in place a liquidity coverage ratio—including a differentiation by currency. While reserve requirements are used as a monetary policy tool to control banks' systemic liquidity, the NBRNM also applies differentiated ratios by currency (domestic and foreign) and by deposit term, with the view of fostering long-term savings in domestic currency.
Review	<i>Core</i> The NBRNM discloses the design and the methodology of calculations for the systemic risk capital buffer, the countercyclical capital buffer, the systemically important banks buffer, and the capital conservation buffer set forth in the Banking Law, Article 65. The other macroprudential instruments, on banks' liquidity, on maturity mismatches, the limits on foreign exchange positions and reserve requirements are explained and disclosed via by-laws and regulations. However, the NBRNM does not have a macroprudential strategy that informs and explains about the use of macroprudential instruments and their objectives. It does not map macroprudential instruments with the corresponding systemic

	financial risks and does not explain how macroprudential policy decisions can help mitigate these risks.
Comments	Because macroprudential policy is a new economic policy in North Macedonia—and elsewhere—that is of countercyclical nature, it is important to design and develop a communication strategy explaining to the public at large the scope and benefits of macroprudential policy, emphasizing that it aims at preventing systemic financial crisis.
Principle 3.6.2.	Enforcement: The central bank discloses enforcement mechanisms and responsibilities for all entities and financial instruments subject to macroprudential constraints.
Description	Based on the provisions set forth in the Banking Law, the NBRNM enjoys hard powers in the sense that it has direct control over macroprudential instruments and the calibration of their parameters. The law also defines penalties for financial institutions that do not comply with prudential regulation, in general, including macroprudential regulation.
Review	<i>Comprehensive</i> According to its law, the NBRNM discloses the enforcement mechanisms and responsibilities for all entities and financial instruments subject to macroprudential constraints. Furthermore, it discloses which agencies enforce macroprudential regulations and discloses both incentive mechanisms and penalties.
Comments	
Principle 3.7.	Microprudential Supervision: Selected principles from BCP, ICP, and IOSCO.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 3.8.	Emergency Liquidity Assistance: The central bank may disclose any ongoing provision of emergency liquidity assistance (including bilateral and market-wide support) and its conditions and parameters once the need for confidentiality has ceased.
Description	As described in principle 2.7 the NBRNM has transparent ELA framework and a good understanding of communication/transparency issues related to potential future ELA operations. So far, ELA has never been requested. As a result, the NBRNM has never provided ELA.
Review	<i>Expanded</i>

	<p>The NBRNM's ELA framework is centered in bilateral liquidity support. In this case, information about the provision of support is disclosed only after the financial stability risk has passed, and no longer violates confidentiality requirements agreed on prior to entering the support agreement with the requesting institution.</p> <p>The NBRNM clearly differentiates its liquidity support from standard operations, with information regarding the maturity and financial parameters considered.</p>
Comments	
Principle 3.9.	Resolution: Selected principles from KA.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 3.10.	Financial Market Infrastructures: Selected principles from PFMI.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 3.11.	Financial Integrity: The central bank discloses its AML/CFT supervisory processes as well as details about resources allocated to its internal AML/CFT controls.
Description	<p>AML/CFT Supervision</p> <p>The NBRNM conducts AML/CFT supervision as a part of its overall prudential supervision; as such, there is no dedicated department for AML/CFT supervision. In addition to the materials referenced above (under principle 2.10), the NBRNM's risk-based supervision is also detailed in its Supervisory Policy Manual and its Decision on Consolidated Supervision, although neither mention its AML/CFT supervisory role or functions.</p> <p>AML/CFT Internal Controls</p> <p>The NBRNM Policy on ML/TF risk management describes the positions with dedicated AML/CFT control functions: the transactional units within the Payment Systems Department as the first line of defense; the AML/CFT officer (the "Authorized Person") as the second line of defense; and the Department for Internal Audit as the third line of defense. The functions and tasks of the respective positions and departments, as well as the requisite skills and expertise of the AML/CFT officer, are laid out in detail in the policy on ML/TF risk management document, which is an internal act and not available on the NBRNM's website.</p>

Review	<p><i>Core</i></p> <p>The NBRNM discloses general information on its approach to off-site and on-site AML/CFT supervision of banks. However, aside from the number of banks undergoing AML/CFT inspection each year, the NBRNM does not disclose any detailed information on its AML/CFT supervisory activities in its own materials, nor does it disclose information on the human and technical resources allocated to these activities. No information on the AML/CFT supervision of non-banks under the NBRNM's AML/CFT purview is available. A detailed description of the NBRNM's AML/CFT supervisory processes and approach, including on IT systems, staffing and resources, and training and capacity, is included in the public version of the 2019 National Money Laundering and Terrorism Financing Risk Assessment (NRA), a joint product of inter-governmental and private sector working groups. While the disclosure of the aforementioned information in the NRA is certainly a good practice, the NRA is not updated on a yearly basis nor is it referenced by the NBRNM's documents or available on the NBRNM's website.</p> <p>The NBRNM discloses general information on its internal AML/CFT control activities, as well as information on the human and technical resources allocated to internal AML/CFT controls.</p>
Comments	<p>AML/CFT Supervision</p> <p>The NBRNM could provide more detailed information on its AML/CFT supervisory processes in its own published materials, notably, by describing its AML/CFT function in documents and materials on its supervision more broadly (e.g., in the Supervisory Policy Manual and its Decision on Consolidated Supervision). More information also could be provided on AML/CFT activities (e.g., development of guidance materials, events and trainings). The NBRNM should also disclose information on its AML/CFT supervision of non-bank financial institutions as designated in the Law on Prevention of Corruption.</p> <p>The NBRNM should also disclose information in its own sources on the human and technical resources allocated to these activities, namely by describing how the AML/CFT supervisory function fits into the larger supervisory approach/plan.</p> <p>AML/CFT Internal Controls</p> <p>The NBRNM could consider including name and contact of the position of the AML/CFT officer in its publicly available organization chart on its website.</p>
Principle 3.12.	Consumer Protection: The central bank discloses its operations relating to consumer protection conducted solely or jointly with other agencies.
Description	Not Applicable
Review	Not Applicable

Comments	Not Applicable
Pillar IV—Central Bank Outcome	
Principle 4.1.	Monetary Policy: The central bank is transparent about the outcome of its monetary policy conduct.
Principle 4.1.1.	Governance Actions: The accountability of the central bank on monetary policy is clear as to whom accountability is owed and how it is discharged.
Description	<p>The accountability of the NBRNM is enshrined in the Law on the NBRNM, Article 40. It entails that the NBRNM Council and each of its members is accountable to the Parliament for the achievement and maintenance of price stability and the performance of the NBRNM tasks, as stipulated in the same law. Article 62, in turn, requires that the NBRNM informs at least twice a year to the Parliament on its monetary policy, its achievements, and on its vision about the real economy. Specifically, the Governor of the NBRNM may, at the request of the Parliament, or on his own initiative, periodically appear in Parliament or its committees to report on monetary policy and financial system issues, and the state of the economy. The NBRNM expands its accountability duties by disclosing and disseminating several documents—such as the three-year Strategic Plan, the Annual Report, the Quarterly Report, the monthly Recent Macroeconomic Indicators: Review of the Current Situation, as well as press releases and public presentations—that explain the conduct and challenges of monetary policy. These documents, however, mostly target a specialized audience.</p> <p>The NBRNM also prepares financial statements for each fiscal year, which are shared with the executive branch and the Parliament within the four months that follow the end of the fiscal year, and are widely disseminated to the public, including on the NBRNM website. Financial statements are legally required to observe International Standards on Auditing (Article 65 of the Law on the NBRNM). In addition, the NBRNM Council must appoint independent external auditors to exercise an audit of the financial statements. In response to a proposal of the Minister of Finance, the Parliament, with reasonable cause, can also request external auditors to assess the NBRNM financial statements. Such external audit report must be sent to the Parliament.</p>
Review	<p><i>Expanded</i></p> <p>The Law of the National Bank of the Republic of Macedonia requires the NBRNM to be accountable to the Parliament, which is discharged by sending a report explaining the monetary policy decisions adopted to fulfill the NBRNM's overarching objective of preserving price stability and its financial statements. In addition, the Law provides that the Governor may periodically appear in Parliament or its committees, either as requested or on its own initiative to</p>

	<p>provide information on monetary policy and financial system issues as well as the state of the economy. These periodic exchanges take place in practice. It is noted that a legal review is currently ongoing of this accountability responsibilities. The NBRNM is also accountable to the public as it disseminates various reports on a regular basis—annually, quarterly, and monthly, as well as various press releases and public appearances of the NBRNM Governor and high rank officials—explaining the conduct of monetary policy and the main risks confronting the economy for the achievement of the monetary policy objective.</p>
Comments	<p>The NBRNM could finalize the review of the accountability provision in the Law on the NBRNM vis-à-vis Parliament or its specialized committees. Strengthened accountability procedures could enhance transparency because it would raise awareness about the timing of the NBRNM reporting to the Parliament to discharge its policy responsibilities. In addition to appearing before the Parliament, the NBRNM could also submit a report including, its financial statements with the seal of external auditors.</p>
Principle 4.1.2.	Policies: The central bank discloses progress toward achieving its monetary policy objective(s) as well as prospects for achieving them.
Description	<p>In addition to the press releases issued following the regular policy meeting every month, the NBRNM publishes reports through which it focuses on assessing the progress to achieve the inflation objective or how is preserving price stability. In particular, in May and November, the NBRNM publishes its short- and medium-term macroeconomic forecasts and its effect on monetary policy, including comparisons with the previous forecasts. A more structured analysis of similar economic developments is prepared in the Recent Macroeconomic Indicators, Review of the Current Situation, which is published on a monthly basis.</p>
Review	<p><i>Comprehensive</i></p> <p>The NBRNM discloses progress toward achieving price stability or explains how monetary policy keeps inflation at bay. Using its modeling and forecasting capacity, the NBRNM makes macroeconomic projections, which are important considerations for policy decision making. The outcome of these projections and its implications for monetary policy are publicly discussed to help market participants to take more informed decisions.</p>
Comments	
Principle 4.1.3.	Operations: The central bank discloses the volumes and interest rates of the operations, as well as the level of the operational target achieved.
Description	<p>The NBRNM uses the nominal exchange rate denar/euro as intermediate target to preserve price stability and calibrate its foreign exchange interventions and open market operations as its main policy instruments. On a daily basis, the NBRNM</p>

	<p>publishes on its website the level of the exchange rate of the Denar against the Euro.</p> <p>The size and direction of the foreign exchange interventions are published in the Quarterly Report of the NBRNM, where there is also Box on the Real Effective Exchange Rate (NEER and REER), its determinants and dynamics.</p> <p>The interest rates on the money market are published on a daily basis on the website.</p> <p>Regarding the monetary operations, detailed data on the volume, interest rates, and maturities are published on the website immediately after the operations take place, using a sub link for each monetary instrument, with the exception of the data on the usage of intraday credit and marginal lending facility, which are published daily only in the data of the Liquidity of the banking system (table and excel history).</p> <p>Regarding the monetary operations, detailed data on the volume, interest rates and maturity of the monetary operations are published on the website (main page, Financial Market Operations window). Immediately after a monetary operation is conducted, the NBRNM published related data for each monetary instrument, with the exception for data on the usage of intraday credit and marginal lending facility which are published daily only in the data of the Liquidity of the banking system (Table and Excel history).</p> <p>The daily liquidity tables published on the website contain data on aggregated bank balances at the NBRNM, reserve requirement in MKD (including the overall level of fulfillment of required reserves), and the contribution of each monetary instruments and of the autonomous factors (with the separate contribution of currency in circulation) to the overall liquidity position of the banking system. Historical data on those items goes back to January 1, 2010.</p> <p>The NBRNM publishes monthly Press releases following meetings of the Operational Monetary Policy Committee, in which information on liquidity development in the banking system and related NBRNM monetary operations is discussed, as well as related implications for the stance of monetary policy.</p>
Review	<p><i>Comprehensive</i></p> <p>The NBRNM posts in its website in an organized and timely fashion the volumes and interest rates of its open market operations, while the volumes and the direction of foreign exchange interventions are published in its Quarterly Report,</p>

	<p>which is also available in the NBRNM website. The policy rate and the nominal exchange rate denar/euro are also posted in the NBRNM website.</p> <p>The level of the interest rate operational target, as well as outstanding volumes and interest rates of each monetary instrument are timely published. Aggregated bank balances at the NBRNM and realized autonomous liquidity factors are published daily on the NBRNM's website.</p> <p>Auction results are published immediately following the conduct of monetary operations.</p>
Comments	While stakeholders are satisfied with current transparency practices, a public disclosure of the composition, function and responsibilities of the Operational Monetary Policy Committee would enhance further transparency of the governance structure and responsibilities of its governing bodies.
Principle 4.2.	Cross-Border Financial Flows and Foreign Exchange Administration: The central bank discloses the outcome of its policy implementation.
Principle 4.2.1.	Governance Actions: The central bank discloses information about to whom its accountability on the policy is owed and how it is discharged.
Description	<p>The Law on the NBRNM (Article 40) provides that the NBRNM 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 NBRNM stipulated by this Law. The Governor of the NBRNM may, at the request of the Parliament of the Republic of North 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. The NBRNM may submit opinions to the Parliament of the Republic of North Macedonia concerning any draft laws related to the objectives and tasks of the NBRNM.</p> <p>While the formulation and adoption of the policies of the NBRNM regarding the execution of its tasks, and supervision of the implementation of the policies and the execution of the tasks of the NBRNM are the responsibilities of the NBRNM Council (Article 46, 47 of the NBL), the Governor is a body responsible for the implementation of the monetary and exchange rate policy and other policies in accordance with the internal rules and decisions of the NBRNM Council (Article 48 of the NBL).</p> <p>Annual reports published by the NBRNM contain information regarding the supervision on cross-border financial flows and foreign exchange administration. For instance, item 9.2. of the NBRNM Annual Report for 2019 contains detailed overview on the on-site compliance examinations on banks, savings houses and</p>

	non-banking financial institutions. Besides other regulations, the Law on Foreign Exchange Operations and the Law on providing fast money transfer services, as well as their relevant by-laws are subject of compliance examinations.
Review	<p><i>Core</i></p> <p>The NBRNM discloses, through the reference to the Law on the NBRNM, the general accountability to the Parliament for its policy. The published NBRNM Law discloses information on the NBRNM Council and Governor and their role and responsibilities on policy formulation and implementation.</p> <p>The NBRNM as a designated supervisory body is held accountable for the compliance of the Law on Foreign Exchange Operations and Law on fast transfers. In this condition the NBRNM provides very general information of its supervisory activities in an annual basis in its Annual Report.</p>
Comments	A more comprehensive analysis of the results of the NBRNM regulatory activity with respect to the policy as well as the results achieved by the supervision would enable a better understanding of the NBRNM objectives and the NBRNM performance.
Principle 4.2.2.	Policies: The central bank discloses on a regular basis information about the results in achieving the policy objectives.
Description	<p>With respect to the policy, the NBRNM in its Annual Reports provides general information on the compliance supervision (examination) performed in banks, saving houses, non-banks financial institutions and licensed exchange offices and the general outcomes of those controls. Compliance examination is focused on the assessment of compliance by mentioned entities with, inter alia, the Law on FX operations and Law on fast money transfers.</p> <p>In the case of by-laws adopted by the NBRNM, information whether the policy objectives have been achieved is not provided in a direct manner making the association of the policies, objectives and outcomes difficult.</p>
Review	<p><i>Core</i></p> <p>The NBRNM discloses in its Annual Report the results of its supervisory activities as part of the actions taken to achieve the policy objectives and their results. However, it does not disclose in a clear manner specific information on sanctions imposed for the non-compliance with of FX law and regulations.</p>
Comments	A more comprehensive analysis of the results achieved by the supervision on the compliance of FX regulations and information on the sanctions imposed for the violation of the Law on Foreign Exchange Operations and regulations on aggregate basis would enhance transparency.

	<p>Transparency in these policies could be enhanced with a more comprehensive analysis of the results achieved in the case of by-laws adopted by the NBRNM.</p>
Principle 4.2.3.	Implementation: The central bank discloses on a regular basis information about the results of the policy implementation.
Description	<p>The NBRNM provides general information about its supervisory activities in its Annual Reports (Chapter IX). The NBRNM on-site compliance examinations are mainly focused on the assessment of the banks and savings houses compliance with several laws that include the Law on the National Bank of the Republic of Macedonia, the Law on Foreign Exchange Operations, and the Law on Providing Fast Money Transfer.</p> <p>The NBRNM maintains in its website an updated version of the Law on Foreign Exchange Operations. All the amendments to this Law are indicated in a footnote that contains references of when they were published in Official Gazette. In addition, the NBRNM maintains dedicated section in its website on its regulations that includes Decisions and Manuals on foreign exchange operations.</p> <p>The NBRNM on its web site maintains updated lists of licensed banks, savings houses, currency exchange operators and fast money transfer providers and their subagents. A full list of issued licenses with data on the date of issuing the license, number of license for every location and detailed data on the locations for performing exchange operations (the list includes banks as well as FX bureaus) and full list of revoked licenses with data on the date of issuing and date of revoking the license for FX bureaus are also published in the NBRNM website. Additionally, for every revoked license the NBRNM has public announcement in at least one newspaper.</p> <p>Public information regarding the names and addresses of the non-banking financial institutions (licensed exchange offices and money transfer service providers) are available on the NBRNM website (Licensed Exchange Offices, Active providers of fast money transfer services). Contact details of the responsible persons of these entities are not publicly available in accordance with the regulations in the area of personal data protection.</p> <p>The NBRNM Annual Report in part IX—Supervision and Inspection also contains detailed information concerning the number and types of supervisory activities taken. For example, during 2019 pursuant to the Annual Supervision Plan, the NBRNM carried out 12 regular examinations (on-site risk-based supervision) in 10 banks as well compliance examinations in eight banks, two savings houses, one money transfer sub-agent, and 210 examinations of licensed exchange offices.</p>

	<p>The NBRNM keeps internal statistics regarding the number of supervisory controls and misdemeanors (not disclosed). As for the examinations and measures or sanctions that are imposed, banks' examinations and the measures are more risk based and for these supervisory examinations and measures data and information is provided in part 9.1 of the Annual Report for FX bureaus the examinations are compliance based and for noncompliance misdemeanor sanctions are imposed (no risk-based measures). The data on the number of examinations of these institutions is provided in the first paragraph of part 9 of the Annual Report, while in part 9.2. a general view on the findings and sanctions is included.</p> <p>The FX transactions of the NBRNM are limited to those with the banks market makers in the context of its foreign exchange interventions as described in subprinciples 3.3.1 and 4.3.1 and transactions with government that are disclosed as described in subprinciples 5.1.2 and 5.1. The information that NBRNM foreign exchange operations are limited to the two abovementioned types of transactions and do not include transactions usually conducted by commercial banks but central banks can be empowered to do them (mentioned in footnote 11 of the CBT code) is not clearly disclosed.</p> <p>Information the types and volume of cross border financial flows and foreign exchange transactions is disclosed on the Latest Macroeconomic Indicators on a monthly basis and on the Annual Report.</p>
Review	<p><i>Core</i></p> <p>The NBRNM discloses an updated version of the Law on Foreign Exchange Operations as well as dedicated sections on Decisions and Manuals on Foreign Exchange Operations that contain the regulatory framework and any changes to it.</p> <p>The NBRNM maintains updated lists of entities licensed to perform activity related to exchange transactions (i.e., purchase and sale of FX) as well as fast money transfer operators.</p> <p>While the Annual Report contains information on the types and number of inspections conducted, it does not disclose in a clear manner specific information on violations of FX law and regulations as well as the sanctions imposed for the non-compliance with FX Law and by-laws.</p> <p>The NBRNM also discloses on a regular basis information on the types and volumes of cross-border and foreign exchange transactions within the country.</p>

Comments	Disclosure can be enhanced if a dedicated section in the Annual Report or any other report provides information on the sanctions imposed for the violation of the Law on Foreign Exchange Operations and regulations on aggregate basis could provide a better understanding of the supervisory activities of the NBRNM with respect to issues related to FX Law and Regulations.
Principle 4.3.	Foreign Exchange Management: The central bank discloses how its governing committee is accountable for undertaking and reporting on foreign exchange interventions.
Principle 4.3.1.	Governance Actions: The central bank discloses its decision-making structure and how it is accountable for Foreign Exchange Management.
Description	<p>The responsibility of the Operational Monetary Policy Committee in setting the bid-ask exchange rate that anchors the NBRNM's FX interventions is disclosed (see IMF's AREAER for North Macedonia).</p> <p>The NBRNM publishes monthly Press releases following meetings of the Operational Monetary Policy Committee, in which there are information on the volume of FX interventions.</p> <p>The Annual Report contains detailed overview on the foreign exchange market developments and the NBRNM's Interventions.</p> <p>The above-mentioned NBRNM's Decision on the manner and the terms for buying and selling foreign currency govern the participation of the NBRNM on the foreign exchange market and the dissemination of information on foreign exchange market developments.</p>
Review	<p><i>Comprehensive</i></p> <p>Responsibility of the Operational Monetary Policy Committee in setting the bid-ask exchange rate anchoring the NBRNM's FX interventions is disclosed.</p>
Comments	While stakeholders are satisfied with current transparency practices, a public disclosure of the composition, function and responsibilities of the Operational Monetary Policy Committee would enhance further transparency of the NBRNM's decision-making structures.
Principle 4.3.2.	Policies: The central bank discloses the role of Foreign Exchange Management toward achieving its policy objective(s) as well as its interaction with broader monetary policy objectives.
Description	The published December 2018 Strategy for Denarization of the Republic of Macedonia (jointly prepared by the NBRNM and the Government of the Republic of Macedonia) provides highly valuable background for placing the NBRNM's policies in a broader medium-term perspective, as well as for understanding the

	<p>actions of the NBRNM in a broad range of areas, including in the foreign exchange management domain.</p> <p>A description of the articulation of the operational target and objectives of monetary policy is provided on the NBRNM's website, in particular reliance on interest rates and, hence the level of liquidity, to influence the level of the exchange rate as an intermediate target of monetary policy.</p> <p>The NBRNM's Quarterly Reports as well as the Annual Report include a discussion on the evolution of the real and nominal effective exchange rates. They also provide information on developments in the foreign exchange market (turnover), on the NBRNM's FX Interventions. on annual growth of demand and supply, volume of bank transactions with clients, etc. The Quarterly Report also contain information of the NBRNM's FX interventions in the context of monetary policy implementation for achieving its objectives.</p>
Review	<p><i>Comprehensive</i></p> <p>In a broader context of the limited discretion for its FX interventions, the NBRNM has undertaken and published supporting analysis highly valuable for understanding its policy actions, that are clearly disclosed in its Annual Report.</p> <p>The NBRNM's Quarterly Report and Annual Report provide comprehensive information on the rationale for its FX interventions, as well as supporting data on their magnitude in response to market developments.</p>
Comments	<p>The current strategy of targeting the denar exchange rate against the euro, and the related setting of a bid-ask exchange rate anchoring the NBRNM's FX interventions, set a rule which limits discretion in the NBRNM's FX interventions.</p>
Principle 4.3.3.	<p>Operations: The central bank discloses the results of its market operations, the volume of activity, and the direction of interventions on its website at a predefined time lag.</p>
Description	<p>The NBRNM's Press Releases following the meetings of the Operational Monetary Policy Committee and monthly Latest Macroeconomic Indicators provides information on the conditions on the domestic foreign exchange market as well as the intervention activity by the NBRNM.</p> <p>The Quarterly Report also contain information of the NBRNM's FX interventions in the context of monetary policy implementation and achieving its objectives. Annual data is also provided in the Annual Report.</p>

	On an annual basis, as an integral part of Annual Report, an overview of the activities on the foreign exchange market. On a daily basis, data on volume turnover are provided on the NBRNM's website.
Review	<i>Expanded</i> The NBRNM publishes timely data on its FX management actions, in its Press releases following the monthly meetings of the Operational Monetary Policy Committee, monthly Latest Macroeconomic Indicators, Quarterly Report and Annual Report.
Comments	Monthly disclosure of whether specific instruments were bought or sold would enhance transparency.
Principle 4.4.	Foreign Exchange Reserve Management: The central bank discloses any changes to the general principles of internal governance and provides clarity on the outcomes of its policy decisions about foreign exchange reserve management.
Principle 4.4.1.	Governance Actions: The central bank publicly discloses the general principles of internal governance to ensure the integrity of its policy formulation and operations.
Description	<p>The Foreign Reserves and Investment Policy sets out the institutional framework for the effective management of the foreign exchange reserves. It also provides the governance structure ,the division of responsibilities of the foreign reserves management process and management reporting.</p> <p>Any changes to the general principles of internal governance and policy decisions about foreign exchange reserves management will be implemented by appropriate changes in the Foreign Reserves and Investment Policy. All amendments to the Policy are adopted by the Council of the NBRNM and are made public through regular press statements. All changes to the general principles of internal governance and policy decisions about foreign exchange reserves management are also published in the Annual report.</p> <p>The evaluation of the strategic and tactical asset allocation actions and changes in the investment framework are always presented in the Annual Reports.</p>
Review	<i>Expanded</i> The Foreign Reserves and Investment Policy discloses the NBRNM's framework, the responsibilities of its governing bodies with respect to reserve management. Evaluations of policy actions taken are presented in the Annual Report .

Comments	Evaluations of policy actions could be presented in a more frequent basis as well as the corrective actions taken during the year.
Principle 4.4.2.	Reporting on Implementation: The central bank discloses data relating to the level and composition of reserve assets, short-term liabilities, and drains that can lead to demand on reserves at a predefined frequency.
Description	The NBRNM publishes data as per reserve data template abiding to the Special Data Dissemination Standard (SDDS). The template data on international reserves are disseminated and published in timely manner on IMF's IRFCL website . Currently available information on International Reserves and Foreign Currency Liquidity of the Republic of North Macedonia on IMF's website is as of March 2021.
Review	<i>Comprehensive</i> The central bank publishes outcomes as per reserve data template and the SDDS. The data categories include: the official reserves and other foreign currency assets, predetermined short-term drains on reserve assets, and contingent short-term net drains on reserve assets, according to a pre-defined schedule.
Comments	
Principle 4.4.3.	Financial Results: There is clarity in audited financial statements on the amount, composition, profit/loss, and risks arising from foreign exchange reserves.
Description	FY 2020 Financial Statements provide information on the amount, composition and profit/loss. In addition, (<i>Note 3. Financial Risk Management</i>), contains detailed information on the level of and development in the NBRNM's exposures to the principal financial risks. In addition to the structure of the portfolios, the disclosure note includes information on eligible counterparties and bond issuers, permissible limits, mitigations, benchmarks, as well as quantified exposures and references to methods/concepts used for quantification. In addition, the Annual Report includes information on benchmark structure of the diverse portfolios and portfolio performance.
Review	<i>Comprehensive</i> The NBRNM clearly discloses information on the amount, composition, profit/loss and risks arising from its international reserves. In particular, the FY 2020 Financial Statements include comprehensive disclosures on financial risks, including market, credit, and liquidity risks.
Comments	
Principle 4.5.	Macroprudential Policy: The central bank discloses outcomes and evaluations of its macroprudential policy actions and its accountability for such actions.

Principle 4.5.1.	Governance Actions: The accountability of the central bank on macroprudential policies is clear as to whom accountability is owed and how it is discharged.
Description	The NBRNM discharges its accountability responsibilities to the Parliament for the achievement of its policy objectives. It reports about contributing to maintain a stable, competitive, and market-based financial system (Law of the NBRNM of the Republic of Macedonia, Article 40). Within the first four months after the end of the fiscal year, the NBRNM submits to the Parliament and the Minister of Finance, one or more reports, approved by the NBRNM Council. The report addresses the state of the economy and an outlook for the coming year, including the condition of the banking system (Article 62, (2)). In addition, the NBRNM publishes a financial stability report once a year.
Review	<i>Core</i> In absence of an explicit macroprudential policy mandate, the NBRNM 's accountability on macroprudential policy is embedded on its broad accountability duties discharged to the Parliament and the Minister of Finance, which include the mandate of contributing to maintain a stable, competitive, and market-based financial system. The publication of the financial stability report allows the NBRNM to discharge its accountability responsibilities to market participants and the public at large.
Comments	The exercise of accountability is closely associated with a well-defined objective. As long as the new legislation expected to be approved soon define a clear macroprudential policy objective, accountability procedures could be more explicit. With a well-defined objective in place, the NBRNM periodic reports could enhance the transparency of macroprudential policies, mapping the use of policy instruments with the type of systemic risks they aim to mitigate, both in a time dimension and in a cross-section spectrum.
Principle 4.5.2.	Policies: The central bank discloses ex post evaluations of its macroprudential policies.
Description	The NBRNM analyzes major trends and developments in the financial system, as well as the evolution of the main financial soundness indicators both in the Financial Stability Report, published once a year, and in its monthly Recent Macroeconomic Indicators—Review of the Current Situation.
Review	<i>Core</i> The NBRNM does not conduct ex post evaluations about the impact and the achievements of its macroprudential policies.
Comments	
Principle 4.6.	Microprudential Supervision: Selected principles from BCP, ICP, and IOSCO.

Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 4.7.	Emergency Liquidity Assistance: The ELA framework allows for appropriate disclosure of the provision of liquidity support, terms and conditions, and amounts provided, while maintaining confidentiality as long as required.
Description	As discussed in principle 3.8 , the NBRNM has never provided ELA.
Review	<p><i>Expanded</i></p> <p>For bilateral liquidity support information about the provision is disclosed only after the financial stability risk has passed which has not happened. During the last 15 years the NBRNM did not receive any ELA request.</p> <p>Although not able to verify the appropriateness of disclosure of the provision of liquidity support , the existence of a transparent ELA framework (principle 2.7) coupled with the provision of detailed information of liquidity conditions in the liquidity tables and financial statements indicate that the NBRNM ELA Framework will allow for appropriate disclosure of the provision of liquidity, terms and conditions.</p>
Comments	A comprehensive would require the verification of this disclosure once the provision materializes.
Principle 4.8.	Resolution: Selected principles from KA.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 4.9.	Financial Market Infrastructures: Selected principles from PFMI.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 4.10.	Financial Integrity: The central bank discloses the outcome of its AML/CFT supervisory actions as well as details about the oversight of its internal AML/CFT controls.
Description	See above principles 2.10 and 3.11 for the overarching legal framework and policies on the NBRNM's AML/CFT supervision and AML/CFT internal controls.

	<p>AML/CFT Supervision</p> <p>The NBRNM provides highly detailed information on the outcomes of its supervision in its Annual Reports; however, this information is limited to its prudential supervision and does not contain any mention of outcomes of AML/CFT supervision. Although information on the results of AML/CFT supervision is included in the public version of the NRA and the annual reports of on the website of the financial intelligence office (FIO) (https://ufr.gov.mk/), this information is not available (or linked) on the NBRNM's website.</p> <p>AML/CFT Internal Controls</p> <p>The NBRNM has not yet fully implemented its policy on ML/TF risk management; as such, outcomes are not yet available.</p>
Review	<p><i>Not Implemented</i></p> <p>The NBRNM does not disclose in its own materials the outcomes of its supervisory processes (in terms of analysis or statistics). Further, no information is provided on the AML/CFT supervision of non-banks under the NBRNM's purview for AML/CFT. While this information is disclosed through other sources (the NRA and the FIO's annual reports), no references or links to such information are provided by the NBRNM on its website or in its documents.</p> <p>The NBRNM has not yet begun implementing its policy on AML/CFT internal controls and thus has not yet disclosed any outcomes from those activities.</p>
Comments	<p>Once the policy on ML/TF risk management is fully implemented, the NBRNM should disclose information on such activities and related outcomes.</p> <p>The NBRNM should provide an overview and analysis of the outcomes of its AML/CFT supervision, including the main trends and deficiencies identified and statistics on supervisory outcomes (e.g., number of supervised entities sanctioned). Although this information is available elsewhere, it should be primarily produced by the NBRNM as the body best situated to assess and discuss the results of its AML/CFT supervision. The NBRNM should also disclose information on the outcomes of its AML/CFT supervision over non-banks.</p>
Principle 4.11.	Consumer Protection: There is clarity about the results and implications of consumer protection policies and operations conducted solely or jointly with other agencies.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable

Pillar V—Central Bank Official Relations	
Principle 5.1.	Government: The central bank discloses its relationship with the government. This includes the exchange of information, the coordination of policies, and financial aspects such as rules on profit distribution, clearly distinguishing the different roles and modalities this can take.
Principle 5.1.1.	The institutional relationship between the central bank and the government/its agencies is clearly defined and publicly disclosed.
Description	<p>Institutional Relationship between the NBRNM and the Government</p> <p>In general, the Law on the NBRNM Article 43 regulates the relationship with the Government, in a clear and understandable manner; where it is stated that the Bank shall cooperate with the government in pursuing its objectives and exchange information for the purpose of carrying out the tasks of the NBRNM (with the exception of specific information relating to entities subject to supervision), while a closer cooperation with the Ministry of Finance is envisaged on monetary and fiscal policy issues. It also states that the NBRNM shall be consulted by the Government in the process of developing any regulation concerning matters that relate to the objectives, tasks and competences of the NBRNM.</p> <p>Memorandums and Agreements for cooperation with relevant governmental agencies are not publicly disclosed, but the NBRNM publishes press releases for the general public regarding its cooperation with the governmental departments on a regular basis.</p> <p>Article 15, of the Law on the NBRNM, regulates the allocation of distributable earnings. According to this article the Council of the NBRNM adopts a Decision on an annual basis as to the allocation of distributable earnings, which is published in the Official Gazette of the Republic of North Macedonia.</p> <p>Exchange of Information</p> <p>According to the Law on the NBRNM Article 35 paragraph 4, the NBRNM collaborates 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. The NBRNM has signed Memorandums and Agreements for cooperation with the relevant governmental agencies, which details are not disclosed.</p> <p>The Law on the NBRNM in its articles 61 (2), 62 (2), establishes that the NBRNM shall submit to the Minister of Finance, the President of the Republic and the</p>

	<p>Prime Minister the certified annual financial statements four months after each financial year. Also, the NBRNM must submit to the Minister of Finance a report on the state of the Economy and an outlook of the economy for the next financial year, under Article 62 of the Law on the NBRNM. Article 65 (4) allows the Minister of Finance, through the Parliament, to request an external audit of the Bank on a reasonable cause.</p>
Review	<p><i>Expanded</i></p> <p>The NBRNM has a clear legal framework that regulates its interaction with the Government. It also reports the exercise of the NBRNM functions with respect to the government, and several accountability reporting measures are established in the law, but terms and conditions governing those functions with the government are not disclosed in a detailed manner since the MoU are not published.</p>
Comment	<p>The NBRNM may enhance its transparency practice by publishing the MoU, or agreements with the Government, and by explaining in a clear, accessible language in what the relationship consist of, that is its terms and conditions.</p>
Principle 5.1.2.	<p>The central bank publicly discloses its policies and terms and conditions governing financial transactions with the government, including its fiscal agent role, the management of the current account, deposit taking, advances, guarantees, loans and credit arrangements to the public sector, as well as agency services performed on behalf of the government.</p>
Description	<p>Financial Transactions with the Government</p> <p>Article 41, of the Law on the NBRNM, establishes that the NBRNM shall perform banking activities for the Government, act as a financial adviser, receive foreign borrowings, settle external claims and financial liabilities, act as fiscal agent, and accept deposits from the Government and any other public agency. The NBRNM may pay interest on the deposits at rates not exceeding the market interest rates. The NBRNM shall pay to the limits of the deposited amounts against payment orders concerning such accounts.</p> <p>The institutional relationship between the central bank and the government in terms of performing domestic and cross border payment operations Government is stipulated within the Law on the NBRNM (“Official Gazette of the Republic of North Macedonia” No. 158/10, 123/12, 43/14, 153/15, 6/16 and 83/18), Law on Payment Operations (“Official Gazette of the Republic of North Macedonia” No. 113/07, 22/08, 159/08, 133/09, 145/10, 35/11, 11/12, 59/12, 166/12, 170/13, 153/15, 199/15, 193/17, 7/19 и 31/20) and Law on Foreign Exchange Operations (Official Gazette of the Republic of North Macedonia No. 34/01, 49/01, 103/01, 51/03, 81/08, 24/11, 135/11, 188/13, 97/15, 153/15, and 23/16).</p>

Fiscal Agency Role

According to the Law on the NBRNM, one of the NBRNM's tasks is to act as fiscal agent to the Government of the Republic of North Macedonia, which is explained on the NBRNM web site, but only in the [Macedonian version](#). The central bank functions in respect to this task are established in the Agreement for fiscal agent (not publicly disclosed). The responsibilities of NBRNM as an agent for government securities issuances are also stipulated in the [Rulebook on the manner and procedure for government securities issuance](#), which is available on the web site but only in Macedonian version. For the English version on the NBRNM web site there is link to the [Regulations on Government Securities](#), which covers the Rules [for the Manner and the Procedure for Trade in and Settlement of Securities Transactions on the Over-the-counter Markets](#), that regulates the role of the NBRNM on the secondary government securities market.

Other Financial Transactions with the Government

The terms and conditions for opening accounts at the NBRNM for its clients (Government and government bodies) is prescribed within the "[Decision on the general conditions for opening and closing accounts in the National Bank of the Republic of Macedonia](#)" ("Official Gazette of the Republic of Macedonia" No141/16), and under the concluded "Agreement for opening account" between the NBRNM and the Government body (available only in Macedonian). The tariff for services provided by the NBRNM for its clients are prescribed within the "Decision on the uniform tariff for the services provided by the National Bank of Republic of North Macedonia." The deposit taking activities and calculation of interest on deposits of the government held at the NBRNM is stipulated within the "Decision on calculation and payment of interest on deposits of the government bodies held at the National Bank of the Republic of Macedonia" (Official Gazette No. 218/16), available only in Macedonian.

The participation of the Ministry of Finance and the Health Insurance Fund into MIPS (RTGS-payment system operated by NBRNM) is regulated in accordance with the Operating Rules of MIPS. All necessary information related to payment operations and the operation of MIPS are published on the website, such as: Participants and accounts in MIPS, Operating Rules of MIPS, Liquidity management in MIPS, Technical features of MIPS, Fees charged for payment transactions in the country, Time Schedule of MIPS, and Working Days in MIPS.

Loans and Credit Arrangements with the Government

Article 44, of the Law on the NBRNM, establishes a prohibition regarding credit to the government or any other public authority, or public enterprise or institution, with the exception of intra-day credit to the Government to secure a smooth functioning of the payment system. Public banks (state owned) are exempted

	from such prohibition. The NBRNM may purchase government securities provided that such purchases are only made in the secondary market.
Review	<p><i>Comprehensive</i></p> <p>The NBRNM publicly discloses in detail policies, terms and conditions governing financial transactions with the Government of North Macedonia, including its fiscal agency role, including the fiscal agent role, the management of the current account and deposits. The legal framework of the NBRNM contains a clear mechanism for the establishment of the terms and conditions of the NBRNM function with respect to the Government.</p>
Comments	
Principle 5.1.3.	The instruments used in interaction (including the financial transactions) between the central bank and the government/its agencies are clearly defined and publicly disclosed.
Description	<p>The NBRNM on a regular basis publishes data on Government securities auctions as well as the OTC market with the government securities, as well as the historical excel data on the government securities auctions. Additionally, there are links on the regulations on the NBRNM's role on the Government securities market. The prescribed manner and instruments for performing cross border payment operations are clearly defined within the "Decision of the manner of performing international payment operations" and the "Manual on the manner of performing international payment operations"(available only in Macedonian).</p> <p>The instrument used for performing domestic payment operation is fully electronic through the transmission of messages in accordance with the Operating Rules of MIPS (RTGS) and the Standard for the purpose and the format of messages in MIPS (RTGS), published on the NBRNM's website.</p>
Review	<p><i>Comprehensive</i></p> <p>The NBRNM discloses to the public, on a regular basis, and in detail, instruments used in the interactions, including financial transactions, with the government.</p>
Comments	
Principle 5.1.4.	The central bank discloses publicly on a regular basis the outcome of its interaction (including operations) with the government/its agencies.
Description	The NBRNM discloses statements on a regular basis to the Ministry of Finance of the Republic of North Macedonia concerning the balance and spending on the foreign exchange accounts for the Government and government bodies held with the NBRNM, stipulated under the " Decision on the general conditions for opening and closing accounts in the National Bank of the Republic of Macedonia " under

	<p>the concluded "Agreement for opening account" between the NBRNM and the Government body (available only in Macedonian).</p> <p>Related to domestic payment operations, including treasuries of the Ministry of Finance and the Health Insurance Fund, the NBRNM provides daily detailed statements for executed domestic payment operations on their accounts in MIPS. The annual Independent Auditor's Report on Financial Statements reports on the outcome of financial transactions performed by the NBRNM for the Government. This report is submitted to Parliament and the Executive and published in the NBRNM website. The Annual Report has a section on "Macroeconomic developments" that includes a subsection on "public finances."</p>
Review	<i>Expanded</i>
Comments	The disclosure of the MoU's with other public agencies would enhance transparency, in particular to verify its outcomes.
Principle 5.2.	Domestic Financial Agencies: The central bank discloses its relationships with domestic financial agencies as relevant to the pursuit of its mandate and the execution of its functions.
Principle 5.2.1.	The relationship between the central bank and relevant domestic financial agencies is clearly defined and publicly disclosed, including cooperation and (co-) decision-making modalities and arrangements for the formal/informal sharing of information.
Description	<p>Article 6 paragraph 2 of the Law on the NBRNM empowers the NBRNM to contribute to the maintenance of a stable, competitive and market-based financial system. In addition, according to Article 8 of the same Law, stability of the banking system and the measures undertaken for the purpose of attaining and maintaining its stability are of public interest. Finally, Article 38 of the law on the NBRNM stipulates that for the purpose of achieving its objective to contribute to maintenance of a stable, competitive and market-based financial system, the NBRNM collects relevant data from other financial supervisory authorities and other relevant bodies and entities on a regular basis. With the collected data, the NBRNM prepares periodical publications related to the financial system stability.</p> <p>In accordance with Article 34 of the Law on the NBRNM, in carrying out its supervisory tasks, the NBRNM may co-operate with other regulatory and supervisory authorities. The NBRNM may exchange confidential information with other domestic agencies which could be used only for supervisory purposes and shall be treated as confidential by the receiving party. The NBRNM has signed bilateral MoU's with other financial regulators, which define the cooperation and data sharing for the purpose of supervision and financial stability. Bilateral MoU are not publicly disclosed.</p>

	<p>The Law on Deposit Insurance Fund determines the interrelation with the NBRNM in its articles 4-a, 9, 12, 17, and 17-b, as for co-decision making modalities or arrangements. The relationship with the Deposit Insurance Fund is regulated by legislation and publicly disclosed.</p>
Review	<p><i>Core</i></p> <p>The legal framework contains provisions establishing cooperation between the NBRNM and domestic financial regulatory and supervisory authorities, but detailed terms and conditions of bilateral or interagency agreements are not disclosed.</p>
Comments	<p>It will be advisable to publish the bilateral and multiagency agreements that has the purpose of exchanging information and cooperation if the counterpart agrees in its publication and disclosure. Such a measure will greatly improve transparency practices of the NBRNM. At the same time, it will bring more transparency on allocation of responsibilities among different institutions, promoting a better understanding, by the public, of the role of the NBRNM and the role of its counterparts in maintaining a stable financial.</p>
Principle 5.2.2.	<p>The policies and instruments used in the interaction of the central bank with domestic financial agencies, and the outcome of the interaction are transparent.</p>
Description	<p>The NBRNM has the practice to formalize its bilateral relationship with domestic financial agencies through MoUs. The establishment and signing of such agreements are disclosed to the public through press releases. Those bilateral MoUs with other financial regulators, that determine cooperation and data sharing for the purpose of supervision and financial stability, are not publicly disclosed in its content, terms and conditions, or instruments.</p> <p>Regarding agreements with several financial regulators and the NBRNM there is an MoU on Financial Stability. Through this interagency MoU the Financial Stability Committee (FSC) was created. It allows the NBRNM to hold meetings with other financial counterparts and to coordinate actions aimed to preserve financial stability. The FSC's MoU whole content is not disclosed to the public. The establishment of the FSC was announced through a press release.</p> <p>After each meeting of the FSC, there is a press release announced and published in the NB website (such press releases are also published in the websites of other FSC members).</p>
Review	<p><i>Core</i></p> <p>The practice to publish the relationships of the NBRNM with other public institutions by signing MoUs is definitely a positive step in disclosing to the public</p>

	<p>the establishment of a cooperation and exchange of information agreement with its counterparts, which is done by the NBRNM by press releases only. Detail information on the instruments to operationalized (implement) the agreements is not disclosed or explained. Neither the outcomes of those agreements are disclosed on a regular basis.</p>
Comments	<p>Enhancement of transparency practices of the NBRNM in this sort of agreements could be achieved by the following measures:</p> <ul style="list-style-type: none"> - Disclosure of the instruments used in the interaction between the NBRNM and domestic financial agencies, mostly when they consist of general information sharing and cooperation with other public institutions. Such a measure is allowed and promoted in the NBRNM Law. - Disclosure of regular reports on the interaction between the central bank and domestic financial agencies.
Principle 5.2.3	<p>With respect to macroprudential policy, the central bank discloses its role, responsibly, and actions—and those of any other authority it collaborates with. The central bank also discloses any advice it receives.</p>
Description	<p>Article 6 paragraph 2 of the Law on the NBRNM empowers the NBRNM to contribute to the maintenance of a stable, competitive and market-based financial system. In addition, according to Article 8 of the same Law, stability of the banking system and the measures undertaken for the purpose of attaining and maintaining it are of public interest. Finally, Article 38 of the law on the NBRNM stipulates that for the purpose of achieving its objective to contribute to maintenance of a stable, competitive and market-based financial system, NBRNM collects relevant data from other financial supervisory authorities and other relevant bodies and entities on a regular basis. Based on the collected data, the NBRNM prepares periodical publications related to the financial system stability.</p> <p>Collaboration with Other Authorities Regarding Macroprudential Policy: The Financial Stability Committee is composed by other financial regulators, apart from the National Bank of North Macedonia, including: the Finance Minister, the President of the Securities and Exchange Commission, the President of the Council of Experts of the Insurance Supervision Agency, the President of the Council of Experts of Fully Funded Pension Insurance and the Director of the Deposit Insurance.</p> <p>Regarding Macroprudential Policy the Financial Stability Council, which is coordinated by the NBRNM Governor, has two Subcommittees, as operational bodies, which consist of the Subcommittee on Monitoring Systemic Risks and Proposing Macroprudential Measures and Subcommittee on Preparation for Financial Crisis Management.</p>

	<p>Extract from a Press Release, April 4, 2020:</p> <p>“In order to achieve the objectives, give recommendations and take appropriate actions, the Committee will coordinately monitor all financial system analyses and regulations that may have an impact on financial stability.</p> <p>In the period ahead, efforts will be made to strengthen the macroprudential framework by improving regulations, simultaneously following the recommendations of the Financial Sector Assessment Program of the International Monetary Fund and the World Bank, conducted in 2017 and 2018.”</p> <p>Through press releases the Financial Stability Council and the NBRNM keep the public informed of the major findings and general course of actions regarding macroprudential measures.</p>
Review	<p><i>Core</i></p> <p>The NBRNM will strengthen its transparency disclosing the content of “MoU” establishing the Financial Stability Committee. The National Bank of North Macedonia must disclose the provisions governing such a committee, mostly the respective members’ roles, the nature of the cooperation and the mechanism of the cooperation.</p>
Comments	<p>Since this MoU is of general nature (establishing the FSC), its disclosure could improve awareness and appreciation by the public on efforts made by the NBRNM in articulating macroprudential measures with other financial regulators. Through these measures, the public also could learn the benefits of establishing a macroprudential framework to enhance resilience of the financial system.</p>
Principle 5.2.4.	<p>With respect to financial stability, all arrangements to restore or maintain financial stability are clearly disclosed, including arrangements on data sharing, liquidity support, and who is responsible for which type of decision or action at what stage.</p>
Description	<p>Regarding Financial Stability, Article 6 (2) and Article 8 of the Law on the NBRNM establishes the objectives, tasks and functions of the NBRNM on Financial Stability. Article 38 of the Law on the NBRNM stipulates that for the purpose of achieving its objective to contribute to maintain a stable, competitive and market-based financial system, NBRNM collects relevant data from other financial supervisory authorities and other relevant bodies and entities on a regular basis. The NBRNM prepares periodical publications related to the financial system stability.</p> <p>As for the interagency efforts in respect to financial stability, the Financial Stability Council, discloses its findings in Statements to the public, and press releases.</p> <p>The NBRNM also has signed bilateral agreements with other regulators in reference to data sharing, liquidity support and inter-agency cooperation. Those</p>

	agreements are communicated to the public by press releases. The content of the MoUs is not published in its entirety, just a press release.
Review	<p><i>Core</i></p> <p>The NBRNM would enhance its transparency practices by publishing general MoU that reinforce data sharing, and cooperation, including liquidity support if possible and with the acceptance of the counterparty.</p>
Comments	
Principle 5.3.	Foreign Agencies: The central bank discloses its dealings with international organizations foreign governments, other central banks, and other relevant foreign agencies, including the nature of the involvement or interactions, and any obligations and commitments that may arise from these relationships.
Description	<p>The Law on the NBRNM (unofficial consolidated version) is available on the NBRNM's official website and is easily accessible. According to the Law, Article 7(12) give the task "to participate in international institutions and organizations concerning matters that are within its field of competence," also Article 79 says that "The National Bank shall cooperate and exchange information with the European Central Bank and other institutions and bodies of the European Union."</p> <p>Activities related to the relationship for the exchange of information and coordination of actions and policies between the central bank and other international institutions and central banks are available to the public through regular announcements on the official website and through posting on social media. Cooperation agreements are not disclosed as a whole, but the public is informed about the actions taken. And the disclosure is done in accordance with the concluded protocols/memorandums of understanding concerning the cooperation and exchange of information with those institutions. All the events related to the cooperation with the EU institutions including EU funded projects are publicly disclosed in accordance with the EU policy and the Communication and Visibility Requirements for EU External Actions. For example, within the framework of the recently completed EU-funded Twinning project, the NBNM disclosed in Newsletters, posted on the website, the ongoing efforts to strengthen its institutional capacity in the process of ESCB accession. Outcomes of the projects, for example the above-mentioned Twining Project funded by the European Union, are disclosed to the public in a timely manner.</p> <p>Financial Operations with International Agencies: The Law on NBRNM (Article 24) stipulates that "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."</p>

	<p>Additionally, Article 24 lists the eligible types of foreign assets and financial instruments that the NBRNM may hold in its portfolio, and for some of the instruments (claims and interbank deposits, claims on international financial institutions, equity holdings in international financial institutions, special drawing rights held in the account of the Republic of Macedonia in the International Monetary Fund).</p> <p>Foreign Reserves Management and Investment Policy (Article 7) defines the type of financial transactions that NBRNM can enter into for attaining the FX Reserves management objectives. According to this Policy, the lists of eligible countries, issuers and counterparties are specified in the Foreign Reserves Management and Investment Guidelines (this is classified information and is not publicly available). The NBRNM has a repo line arrangement with ECB for euro liquidity providing to the Republic of North Macedonia's financial institutions (in the presence of market dysfunctions due to the COVID-19 shock). The press releases on repo-line with the ECB are available on the NBRNM website. Relevant information about financial transactions with the international organizations, foreign governments, other central banks, and other relevant foreign agencies is published annually in the audited financial statements (for example: NBRNM Financial statements for 2020, notes: 16, 17, 18, 19, 20, 38, and 39).</p> <p>The outcome of its relationship with international financial institutions and other central banks is regularly publicly disclosed through press releases.</p>
Review	<p><i>Expanded</i></p> <p>The NBRNM has a clear legal framework that establishes in detail terms and conditions of cooperation between the NBRNM and foreign agencies (Articles 7 (12) and 79 of the Law on the NBRNM). The central bank discloses the agreements with foreign agencies and bilateral relations in press releases and the website, but not in detail. The NBRNM could reinforce its transparency by making public the detailed contents of the agreements when the counterpart is also willing to disclose the arrangements.</p>
Comments	<p>Regarding the disclosure of NBRNM interactions with international agencies, being the NBNM so active with international institutions, other means and methods of disclosure should be used apart from press releases. In this respect, a special section of the website could be made exclusively to report on international arrangements, actions, cooperation measures, projects, etc. An explanation of objectives, purposes and outcomes of the interaction with international institutions should be considered with the aim of communicating to the public at</p>

	large the work made by the NBRNM along with other institutions and the benefits of such relations.
Principle 5.4.	Other Relations: The central bank discloses its involvement with private or semi-public institutions.
Description	The Law on the NBRNM (unofficial consolidated version) is available on the NBRNM's official website and is easily accessible. According to the Law, Article 72, the NBRNM is not allowed to own any share of any cooperation, including shares of any financial institution.
Review	Not applicable.
Comments	

AUTHORITIES' RESPONSE TO DETAILED REVIEW REPORT

The Council of the National Bank of the Republic of North Macedonia (NBRNM) expresses gratitude to the International Monetary Fund (IMF) for the opportunity to implement the pilot review of the new *Central Bank Transparency Code (CBTC)*. Similarly, the Council thanks the Mission that between 19 May and 2 June met virtually with the NBRNM staff as well as with the key external stakeholders, whom we thank for their willingness to collaborate. The review of the NBRNM practices compared to the best practices outlined in the CBTC enabled the NBRNM to further strengthen activities for the transparency agenda that has already been one of the strategic goals of the NBRNM. The review process itself added value, as it was an opportunity for the NBRNM staff to exploit the Mission's experience, competence, and knowledge of the good practices of other referent central banks in the world, in order to improve accountability and policy effectiveness.

The NBRNM requested a review of all five pillars of the CBTC, focusing on transparency in governance, policies, operations, outcome, and official relations. The decision to cover all pillars was aimed to acquire in-depth knowledge of the global improvements made in the transparency agenda and community outreach during the last decade, in order to better align own transparency undertakings.

Along with assessing the achievements of the CBT in terms of transparency, the Mission noted that *"The NBRNM is implementing advanced transparency practices."* and that *"This policy has earned the National Bank noteworthy trust from all stakeholders, and it has paid significant dividends in terms of anchoring its autonomy and ensuring policy effectiveness"*. Regarding governance, it pointed out that *"the legal structure of the NBRNM, including its legal nature, mandate and autonomy, are all well disclosed."* However, in this area, recommendations were given to enrich website information on the responsibilities of the governing structure, as well as on improving disclosure of information on risk management and oversight arrangements.

On transparency in policies, operations and outcome, the Mission pointed out that *"The NBRNM discloses the objectives and the policy framework supporting monetary policy"*, and *"The NBRNM discloses its monetary operational framework, including well-defined operational targets, objectives, and tools"*. Having in mind that the monetary policy strategy is targeting the denar exchange rate against the euro, that *"is clearly disclosed"* in the opinion of the Mission. Also, *"transparency practices with regard to actual FX interventions provide stakeholders (most notably financial institutions active in the domestic FX market, but also the wider public) ample information on the outcomes of the National Bank's actions"*. The NBRNM will consider the suggestions of the Mission to improve further transparency practices for FX reserve management in regard to decisions made as well as the supporting analysis for the decisions. Although the Mission concludes that *"The NBRNM discloses issues relating to cross-border financial flows and foreign exchange administration"* the NBRNM will include a link/reference to the SAA in the National Bank's website.

In similar vein, the NBRNM will seek to enhance transparency in regard to issues connected to financial integrity, where the Mission finds that “The NBRNM discloses general information on its AML/CFT supervisory powers and processes but only limited information on actual supervisory practices” and also “The NBRNM discloses some information on recently established internal AML/CFT controls”. In regard to macroprudential policy, the NBRNM points out that transparency will be in line with the CBT standards, once the Law on Financial Stability is adopted and explicit mandate for macroprudential function is given to the NBRNM.

Finally, regarding the official relations of the NBRNM, it stated that “Important information regarding the NBRNM’s interaction with the government and public financial agencies could be disclosed to the public in a more detail manner like disclosure of MoU and other actions implemented for cooperation and exchange of information.”

The Mission’s report also provided ten Key Recommendations on the five pillars of the CBTC. Most of these recommendations refer to the diffusion of information to be disseminated within the legal framework for the NBRNM, within the reach of our resources, professional capacity, and aligned with our strategic objectives. A roadmap for each of the offered recommendations is found in Annex A. These actions are classified under (i) “Immediate implementation”; and (ii) “Implementation in short-term period”. In the first category, it corresponds to gathering and properly ordering existing information and including official documents and other publications to be published and disseminated through the website in the corresponding menu. In the second category, the recommendations will be addressed in accordance with the necessary time to make analysis for the suggested improvements. Furthermore, we will especially focus on developing structured policy and strategy on communication to effectively convey policy messages to the general public. In this regard, we will undertake project to overhaul the website in order to increase accessibility and ease the understanding of information on the website.

**Table 3. Council of the National Bank of the Republic of North Macedonia:
Proposed Actions**

<i>Recommendation</i>	<i>Immediate Implementation</i>	<i>Implementation in Short-term Period</i>
<p>1. The NBRNM's legal framework, as well as the roles and functioning of the National Bank Council, the Governor and the various committees that have been established would all benefit from a description on the website that is easily accessible and understandable for the public.</p>	<p>The legal framework that is applicable to the National Bank and which is not currently available on the National Bank website will be translated and published on the website under the menu item "Regulation" ("Laws"). The National Bank will provide translation of the legal framework that is relevant to the National Bank's operations, but not currently available on the National Bank website in English, and publish these documents at the National Bank website by end of 2021.</p>	<p>As the recommendation indicates, the roles and functions of the Governor and the National Bank Council are clearly stated in the Law on the National Bank of the Republic of North Macedonia. This information, along with the information on the various National Bank committees will be summarized in a manner that is more understandable to the public. This information will be published on the National Bank website under the menu item "About National Bank" ("Governor", "National Bank Council" and a new menu item "Committees").</p> <p>In order to implement this recommendation, the National bank will:</p> <ul style="list-style-type: none"> - Analyze the information on functions of other central banks' governance structures available on their official websites (in our case the Governor and the National Bank Council), prepare and publish a short explanation of their functions, accordingly - Prepare a short explanation on the functions of various National bank committees and publish this information.

Table 2. Council of the National Bank of the Republic of North Macedonia: Proposed Actions (continued)		
<p>2. Transparency of the risk management function would benefit from disclosure of a risk statement explicitly providing: (i) a high-level overview of key risks clearly mapped to the National Bank's mandate; (ii) the process, governance arrangements, and strategy for management of financial and non-financial risks across the bank</p>	<p>In line with the recommendations, NBRNM will publicly disclose relevant information related to the risk management function. This is already envisaged in the Strategic Plan of the National Bank for 2022-2024. Thus, the National Bank will provide a high-level overview of key risks clearly mapped to its mandate. In this regard, a special section on the website will be dedicated to risk management. An overview of the Operational Risk Management will be provided, with more detailed information on high-level objectives and scope of the policy, as well as on the methodology for continuous identification, evaluation, and mitigation of risks. This section will provide description of risk governance arrangements, including information on regulations that define the roles and responsibilities of relevant committees such as Investment Committee and Operational Risk Management Committee.</p>	<p>Setting up a Statement for acceptable level of risk exposure (i.e., Risk Appetite Statement), as a document that will set the framework for the acceptable level of risk for the National Bank.</p> <p>The NBRNM intends to disclose a general risk statement (a separate chapter in Annual Report on risk management) that outlines the Bank's stance on risks, including operational risks, the role of the risk management function in pursuit of the National Bank's objectives as well overview of the risk management policy objectives and risk governance across the bank.</p>
<p>3. Transparency of audit mechanisms would benefit from: (i) clarifying the rules and publishing the charter governing the internal audit function and its reporting structure; and (ii) disclosing the external</p>	<p>(i) In regard to transparency of the charter governing the Internal Audit function, a separate section on the website will be set up housing IA information and the IA Charter, by end of third quarter of 2021.</p>	<p>The National Bank will clarify the rules governing the internal audit function and its reporting structure in the Annual Report for 2021.</p>

Table 2. Council of the National Bank of the Republic of North Macedonia: Proposed Actions (continued)		
audit rotation policy, including criteria for the selection of external auditors	(ii) The National Bank has internally developed external audit rotation policy, which is expected to be adopted by the National Bank Council by end of third quarter of 2021.	
4. Ongoing actions to revamp the system of institutional affairs (public affairs) and communications would benefit from a transparency policy anchored in existing and implemented legislation (e.g., Law on Free Access to Public Character Information) and full incorporation in the transparency framework of a corresponding communications strategy.	The NBRNM will develop a communication strategy based on its general strategic plan to effectively enhance its engagement with targeted stakeholders and the general public.	The NBRNM will implement a project of in-depth revision of the design and accessible information on its website in order to make data, information, legal framework and other information easily accessible to the public. Furthermore, the revision of the website will focus on increasing financial education content of the functioning and working of the NBRNM.
5. The NBRNM should enhance the transparency of its financial integrity functions by providing more information on its AML/CFT supervisory processes and practices, the results of such activities, and the manner in which AML/CFT supervision fits into the broader supervisory framework; once AML/CFT internal controls are fully implemented, information on these activities, including outcomes, also should be disclosed.	As clearly stated in the report, a detailed description of the National Bank's AML/CFT supervisory processes and approach as well as IT systems, staffing and resources, and training and capacity, is included in the public version of the 2019 National Money Laundering and Terrorism Financing Risk Assessment (NRA), a joint product of inter-governmental and private sector working groups. While the disclosure of the aforementioned information in the NRA is certainly a good practice, since it is not updated	The National Bank plans to disclose information on AML/CFT internal controls at the beginning of 2022. Information on outcomes of the internal AML/CFT controls will be available in the Annual Report 2023.

Table 2. Council of the National Bank of the Republic of North Macedonia: Proposed Actions (continued)		
	<p>on an annual basis and in its efforts to further strengthen transparency in this area, the NB will publish a short and easily understandable description of its supervisory function or a dedicated Q&As section under the menu: "Supervision"/SREP. Furthermore, the NB will further enhance transparency by providing a link to the NRA on its webpage, and a more comprehensive analysis of its supervisory function in this section of the Annual Report.</p>	
<p>6. Significant strengthening of the dissemination and disclosure of the confidentiality framework (Law on Classified Information, Data Protection Officer) already implemented would enhance transparency and legal certainty.</p>	<p>Confidentiality regulation applicable to the National Bank, which is currently unavailable on the National Bank website will be published on the website under the menu item "Regulation" ("Laws").</p> <p>Explanation of the functions of the Data Protection Officers, as well as their organizational set-up in the Strategy and Prevention Office will be published on the National Bank website under the menu item "About National Bank," "Organizational chart."</p> <p>For this purpose, the National Bank will:</p> <ul style="list-style-type: none"> - Translate the confidentiality framework which is not currently available 	

Table 2. Council of the National Bank of the Republic of North Macedonia: Proposed Actions (continued)		
	<p>on the National Bank website in English</p> <ul style="list-style-type: none"> - Publish the legal framework to the National Bank website - Prepare a short explanation in a manner that is understandable to the public regarding the Data Protection Officers functions - Publish the explanation on the National Bank website. 	
<p>7. Giving a stronger institutional foundation to the Committee for Operational Monetary Policy by disclosing its role, composition, and structure would contribute to enhancing the transparency of policy decisions, as it would allow to provide a more comprehensive account of the underlying policy deliberations. In turn, that would strengthen monetary policy effectiveness.</p>	<p>This recommendation is in process of addressing. In July, the NBRNM plans to publish the Rules of Procedures of the Committee for Operational Monetary Policy in the website section dedicated to the implementation of monetary policy. Furthermore, the NBRNM will post a short description of composition and structure of the COMP.</p>	
<p>8. The NBRNM should enhance the transparency of macroprudential policy objectives, the expected benefits, and the rationale behind policy decisions. It should explain to the public what macroprudential policy aims at, emphasizing that it seeks to prevent financial</p>	<p>The Law on Financial Stability should be adopted by the end of 2021.</p> <p>In the meantime, the National Bank will update its website by making updates and clarification of the role, objectives and rationale behind implementation of capital buffers, as main macroprudential instruments</p>	

Table 2. Council of the National Bank of the Republic of North Macedonia: Proposed Actions (continued)		
crises, in particular those of systemic nature. The NBRNM should also explain how policy decisions can help mitigate these risks, mapping how policy instruments address specific risks. By enhancing transparency, the NBRNM could promote a better public understanding of macroprudential policy, which market participants claim today to be unclear.	enabled with the current legislative framework.	
9. Transparency of the actions related to cross-border flows and foreign exchange administration would benefit from disclosure of the internal processes for the adoption of by-laws.	By end of the year, the National Bank will enhance transparency and availability of data regarding the requirements arising from the Stabilization and Association Agreement (SAA), as well as regarding the process on preparation, adoption and public communication of by-laws related to cross-border flows.	
10. The transparency of official relations would benefit from more comprehensive disclosure of inter-agency mechanisms of cooperation and exchange of information, as would	Currently, there is a section on the NB website related to the International Relations but its structure needs improvement. NBRNM has developed a new structure with new content in line with the transparency standards and plans to introduce it on the website, replacing the current International Relations Section.	As stated in the Review, the Law on the National Bank regulates the relationship of the National Bank with the Government in a clear and understandable manner. This information, along with the information on the mechanisms of cooperation and exchange of information will be summarized in a manner that is

**Table 2. Council of the National Bank of the Republic of North Macedonia:
Proposed Actions (concluded)**

		<p>understandable to the public and will be published on the National Bank website under the menu item "About National Bank" ("Public Relations"). This will also be done with the various agreements and memorandums of cooperation.</p> <p>In order to implement this recommendation, the National Bank will take the following actions:</p> <ul style="list-style-type: none"> - Analyze the inter-agency mechanisms of cooperation and exchange of information used by the National Bank and prepare a short explanation regarding these mechanisms - Publish this information on the National Bank website - Contact the different agencies that the National Bank has concluded agreements and memorandums of cooperation with, regarding the possibility of publishing these agreements and memorandums - Publish the agreements and memorandums of cooperation on the National Bank website, upon consent of the counterparty.
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