National Bank of the Republic of North Macedonia

Implementation of Basel Capital Requirements in N. Macedonia

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Seminar for Senior Bank Supervisors

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Timeline of Basel implementation

1994

- Basel I

2000

- Basel 1.5
  - Market risk
    - SA
    - Add Tier2

2007-2012

- Basel II
  - Pillar 1 (only SA)
  - Pillar 2
  - Pillar 3

2016

- Basel III
  - CET1
  - AT1
  - Tier2
  - Capital buffers
  - Leverage

2019

- RWA for Counterparty Credit Risk and Settlement Risk (trading book and banking book)

2021

- LCR

Pillar1 – Quality of capital

4.5% CET 1

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1.5% AT1 → Own Funds 8%

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2.0% Tier 2

Pillar 1 - Risk Measurement (RWA)

Credit risk	Market Risk	Op. Risk	FX Risk	Count. Credit Risk	Sett. Risk
SA	SA	BIA	Aggregate FX position	TB and BB	TB and BB
CRM (FCSM)	TB threshold	TSA	Gold	January 1st, 2020	January 1st, 2020

Pillar 1 - Capital buffers

	Ratio	Methodology	Implementation	Revision
Capital conservation buffer	**2,5%**	No	All banks Continuous	No
Countercyclical capital buffer	Up to 2,5% **(0,5%)**	Yes	All banks 1 year after announcement (August 2023)	Quarterly
Capital buffer for SIBs	1% - 3,5% **(1%-2,5%)**	Yes	6 banks 1 year after informing	Annual
Systemic risk capital buffer	1% - 3,0%	No	Determined by the supervisor	Bi-annual

Pillar 1 – Leverage ratio

- Tier 1/Exposure value
  - Definition and reporting
  - No minimum threshold (≥ 3%)
  - On average around 9%

Pillar 2 – Risk management

- Risk management requirements
  - Decision on the methodology for risk management
    - Definition
    - Management
    - Reporting
    - ICAAP
    - Material Risks

Pillar 2 - SREP framework

Elements of SREP

BM Analysis	Corporate governance and internal controls framework	Risks to capital Credit risk Operational Risk Market risk IRRBB	Risks to liquidity and financing
Grade 1 to 4	Grade 1 to 4	Grade 1 to 4	Grade 1 to 4

Overall supervisory grade/assessment

Supervisory measures

- Capital
- Liquidity
- Other supervisory measures

Liquidity requirements

- Liquidity coverage ratio
- Risk management requirements
- Supervisory monitoring

Current application in a nutshell

- Own funds – Basel 3
  - CET 1 and Additional Tier 1
  - Capital buffers
- Risk weighted assets – Basel 2 (only standardized approaches)
- Full implementation of Pillar 2 and Pillar 3
- D-SIBs
- Leverage ratio (reporting)
- Liquidity Coverage Ratio

Future activities

- Resolution framework (Law 2023)
- NSFR (Late 2023/Early 2024)
- Full Pillar2 stress testing
- Securitization

Thank you!