

National Bank of the Republic of North Macedonia



# Implementation of Basel Capital Requirements in N. Macedonia

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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

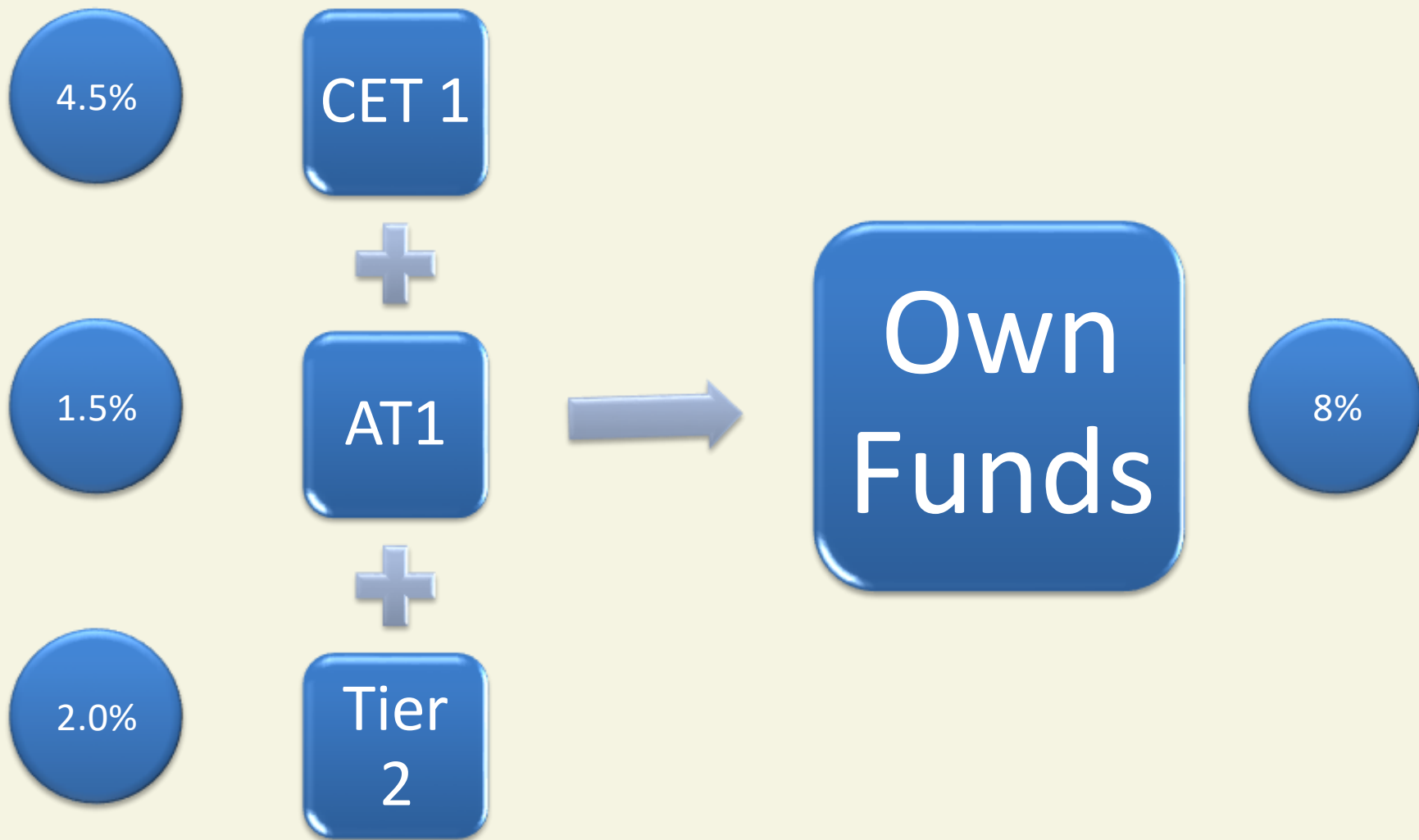
- RWA for Counterparty Credit Risk and Settlement Risk (trading book and banking book)

2021

- LCR



# Pillar 1 – Quality of capital





# Pillar 1 - Risk Measurement (RWA)

Credit  
risk

SA

CRM  
(FCSM)

Market  
Risk

SA

TB  
threshold

Op. Risk

BIA

TSA

FX Risk

Aggregate  
FX  
position

Gold

Count.  
Credit  
Risk

TB and  
BB

January  
1<sup>st</sup>, 2020

Sett.  
Risk

TB and  
BB

January  
1<sup>st</sup>, 2020



# Pillar 1 - Capital buffers

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



# Pillar 1 – Leverage ratio

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

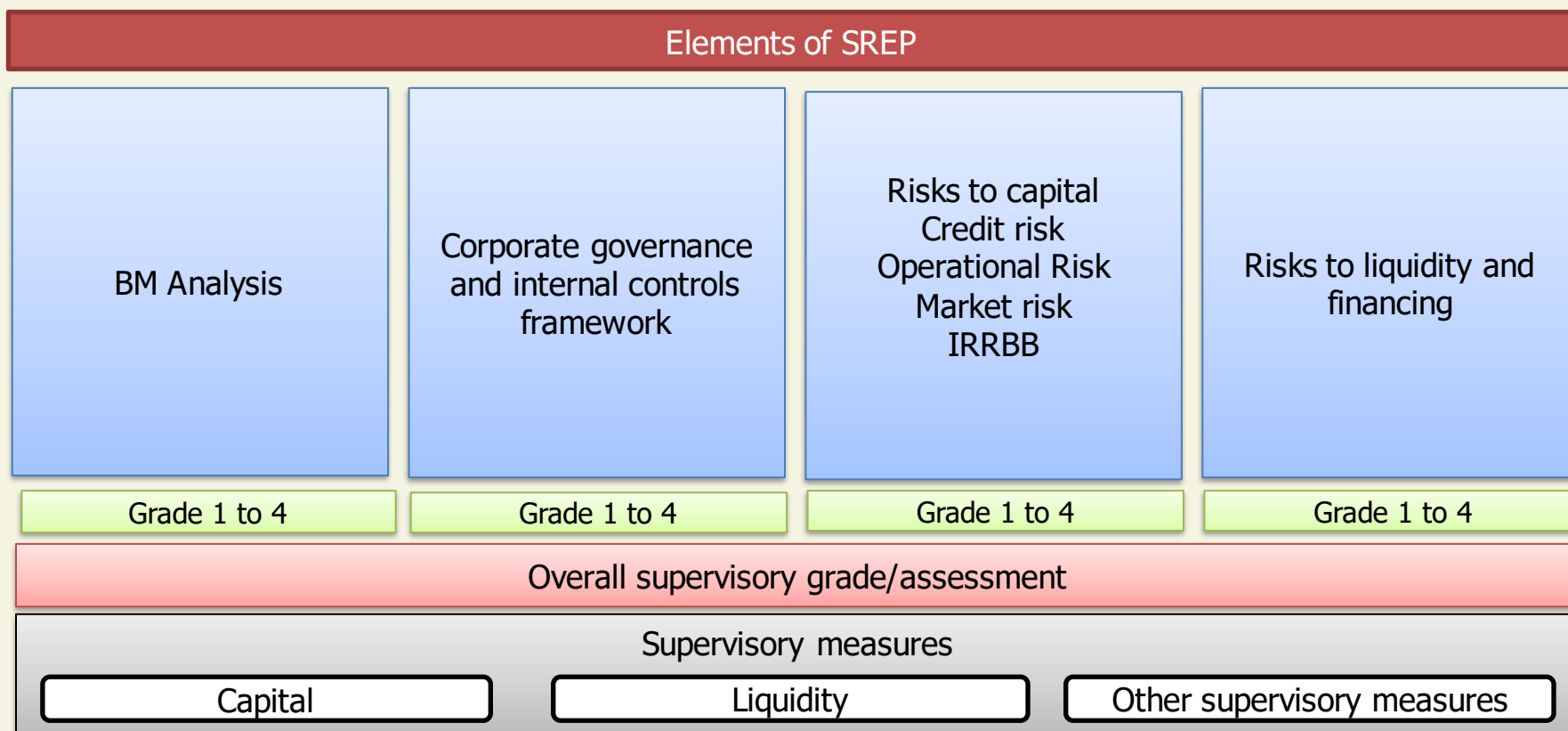


## Pillar 2 – Risk management

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



# Pillar 2 - SREP framework







# 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!