

LAW ON FOREIGN EXCHANGE OPERATIONS

1. GENERAL PROVISIONS

1.1 Subject

Article 1

This Act shall regulate:

1. current and capital transactions and their execution in form of payments and transfers among residents and non-residents, among residents if using foreign means of payment or if the subject of operations are foreign means of payment and unilateral transfers of funds from or in the Republic of Macedonia which do not represent transactions among residents and non-residents; and
2. foreign exchange supervision and control

1.2. Definitions

Article 2

(1) For the purposes of this Act, the following terms shall denote:

Residents are:

1. trade companies, sole proprietors and other legal entities having main office in the Republic of Macedonia, and their representative offices abroad, excluding their subsidiaries abroad;
2. subsidiaries of foreign companies registered in the Trade Registry of the Republic of Macedonia;
3. natural persons, performing business activities independently as their occupation, having permanent residence in the Republic of Macedonia, not treated as traders according to the Law on Trade Companies of the Republic of Macedonia;
4. natural persons with permanent residence in the Republic of Macedonia;
5. natural persons temporarily residing in the Republic of Macedonia, holding a residential or working visa valid for no less than six months;
6. diplomatic, consular and other representative offices of the Republic of Macedonia abroad financed from the Budget as well as citizens employed in these representative offices and their immediate family members.

Non-residents are all other persons not defined as residents.

Authorized bank shall denote a bank or its subsidiary that meets the conditions for performing international operations pursuant to the Banking Law.

Authorized participants in the securities market are brokerage houses and banks granted with an operating license pursuant to the Law on Securities.

Foreign means of payment shall denote foreign currency, effective foreign currency, checks, letters of credit and other payment instruments denominated into foreign currency and convertible in foreign currency.

Foreign currency shall denote monetary claims in foreign currency.

Effective foreign currency shall denote monetary claim on the central bank that issued the foreign currency.

Checks, letters of credit and other payment instruments denominated in a foreign currency and convertible into a foreign currency shall denote monetary claims on their issuers.

Securities are all securities traded on the long-term securities market, money and short-term securities market, as well as financial derivatives.

Securities traded on the long-term securities market shall denote shares, bonds and other securities issued in series traded on the organized markets and over-the-counter markets.

Securities treaded on the money and short-term securities market shall denote treasury bills, commercial papers, government bills, certificates of deposit, bankers' acceptances, and other securities up to one-year maturity.

Financial Derivatives for the purposes of this Law shall denote contracts, the value of which directly or indirectly depends on the value of some underlying securities, foreign currency, exchange traded commodity or the level of the interest rate.

Domestic securities shall denote securities issued by residents.

Foreign securities shall denote securities issued by non-residents.

Current transactions shall denote transaction among residents and non-residents, objective of which is not a transfer of capital. The payments and transfers for the current transactions shall include:

1. payments due on the basis of goods and services exchange, as well as the standard short-term banking payment instruments and credit instruments related to the trade of goods and services;
2. interest payments due for credits and net income payments from other investments;
3. repayment of reasonable balance of credit or depreciation of direct investments;
4. reasonable remittances for covering family living expenses.

Capital transactions shall denote transactions among residents and non-residents aimed at transfer of capital such as:

1. direct investments;
2. investments in real estate;
3. securities operations;
4. transactions with unit certificates in investment funds;
5. credit operations;
6. sureties (pledges) and guarantees;
7. deposit account operations;
8. transfers emanating from assurance and credit insurance.

Direct investments shall denote investments by an investor intending to establish lasting economic relations and/or to exercise right to run the trade company or any other legal entity in which he had invested. The following shall be deemed as direct investments:

1. incorporating a trade company or extending the basic capital of a trade company in full ownership of the investor, establishing subsidiary, or acquiring full ownership of the existing company;
2. participation in a new or already existing trade company if the investor holds or acquires more than 10% share in the basic capital of the trade company, exceeding 10% of the voting rights;
3. long-term loan with five or more years of maturity, when it is a matter of a loan from the investor intended for the trade company which is in his full ownership; and
4. long-term loan with five or more years of maturity, when it is a matter of a loan intended for establishing lasting economic relations if granted among entities associated in mutual economic venture.

Securities operations shall denote transactions with securities traded on the long-term securities market and money and short-term securities market, including the transactions with the unit certificates in investment funds not defined as direct investments. The following shall be deemed as securities operations:

1. issuance, introduction and sale of domestic securities abroad;
2. issuance, introduction and sale of foreign securities in the Republic of Macedonia;
3. investment by residents in securities abroad;
4. investment by non-residents in securities in the Republic of Macedonia.

Introduction of securities shall denote beginning of trading in foreign securities in the Republic of Macedonia or domestic securities abroad.

Credit operations shall denote operations of concluding credit or loan agreements.

Sureties (pledges) and guarantees, according to this Law shall be deemed as credit operations.

Trade credits shall denote credits directly related to international trade and services exchange that involves a resident as one of the contracting parties. Trade credits shall also

include contractual trade credits, such as deferred or advance payments and their financing by banks. The trade credits shall include operations of buy-outs of claims such as factoring and forfeiting operations, provided that the initial transaction, from which the claim arises, has the nature of trade credit.

Financial credits shall denote credits not defined as trade credits.

Deposit account operations shall denote transactions arising from agreements on current or deposit account between a non-resident and resident authorized bank, or between a non-resident and resident financial institution.

Transfers emanating from assurance and credit insurance operations shall denote transactions arising on the basis of insurance contract concluded between non-resident (insurer) and resident (beneficiary) and vice versa, between a resident (insurer) and non-resident (beneficiary).

Unilateral transfers of funds shall denote transfer of funds from the Republic of Macedonia to foreign countries or from foreign countries to the Republic of Macedonia, not arising from capital or current operations among residents and non-residents. The following shall be deemed as unilateral transfers:

1. personal transfers of funds, and
2. physical transfers of funds.

Personal transfers of funds shall denote transfer of funds from the Republic of Macedonia and into the Republic of Macedonia, based on family loans, gifts, dowries, inheritances, legacies, settlement of immigrants' debts to their country of origin, transfers of emigrants' funds abroad, games of chance, and savings of non-resident employees in the Republic of Macedonia.

Physical transfers of funds shall denote transfers of means of payment, monetary gold and securities from the Republic of Macedonia and in the Republic of Macedonia.

Monetary gold shall denote gold in any form, not subject to purchase and sale.

2. Transactions and Transfers

2.1. Transactions among residents and non-residents

Article 3

Transactions among residents and non-residents shall be free unless otherwise stipulated by this Law.

2.2. Transactions among residents

Article 4

Residents may conclude transactions among each other in foreign means of payment, as well as transactions, subject of which is foreign means of payment, solely under the conditions and methods prescribed by this Law.

Residents may keep foreign means of payment on foreign currency accounts or foreign currency deposits with the banks in the Republic of Macedonia, authorized under the Banking Law. The National Bank of Macedonia shall define the procedures of opening foreign currency accounts.

It shall be permitted to use foreign exchange and other international measures of value as value bases in agreements made among residents in which the currency of transaction must always be the Macedonian Denar.

The provisions of paragraph 1 of this Article shall not apply to salaries and wages paid to employees arising from contracts with residents working abroad and refunds of expenses incurred abroad.

2.3. Unilateral transfer of funds (change in the status resident – non-resident)

Article 5

Residents and non-residents are free to unilaterally execute transfers of funds from and into the Republic of Macedonia, unless otherwise stipulated by this Law.

3. Current transactions

Article 6

The current transactions among residents and non-residents shall be free.

4. Capital transactions

4.1. Direct Investments

Direct investments of residents abroad

Article 7

The direct investments of the residents abroad shall be free.

The residents shall report each direct investment abroad in advance to the Ministry of Economy.

The residents shall register the investment and all subsequent modifications thereof in the Ministry of Economy within 30 days after the performance of the capital transaction, which is a legal basis for acquiring a direct investment abroad.

The Ministry of Economy shall record the investments and all subsequent modifications thereof in the Registry of direct investments of residents abroad.

The Ministry of Economy shall run a Register of direct investments of residents abroad.

The Minister of Economy shall prescribe the method of reporting, registering, as well as the form, content and the method of running the Registry of direct investments of residents abroad.

Direct investments of non-residents in the Republic of Macedonia

Article 8

Direct investments of non-residents in the Republic of Macedonia shall be free, unless otherwise stipulated by a special law.

The non-residents shall register the investment and all subsequent modifications thereof in the Ministry of Economy within 30 days after the performance of the capital transactions, which is a legal basis for acquiring a direct investment in the Republic of Macedonia.

The Ministry of Economy shall record the investments and all subsequent modifications thereof in the Registry of direct investments of non-residents abroad.

The Ministry of Economy shall run a Register of direct investments of non-residents in the Republic of Macedonia.

The Minister of Economy shall prescribe the method of reporting, registering, as well as the form, content and the method of running the Registry.

Transfer of profit, repatriation of funds and liquidation of direct investments

Article 9

The transfer of profit, transfer of proceeds from sale of ownership share in direct investments and the transfer of the remainder of a liquidation estate shall be free, provided that the non-residents have registered the direct investment according to this Law and settled all the legal liabilities arising from taxes and benefits in the Republic of Macedonia.

Right to indemnity

Article 10

The non-resident, being direct investor is entitled to compensation or indemnification to the extend of the invested capital for the occurred damage, or lost from expropriation or due to other measures of the government, which have similar effect under a condition of real and legal reciprocity.

Provided that another law or valid ratified international treaty stipulate different conditions, the non-resident investor shall be entitled to select the more favorable solution.

4.2. Investments in Real Estate

Investments of residents in real estate abroad

Article 11

The residents are not allowed to invest in real estate abroad.

Exception of paragraph 1 of this Article shall be the diplomatic, consular and other representative offices of the Republic of Macedonia abroad.

The residents, who have acquired real estate abroad, shall register the investment and all modifications thereof in the Ministry of Finance within 60 days from the acquisition.

The Ministry of Finance shall record the investment and all the subsequent modifications thereof in the Registry of real estate of residents abroad.

The Ministry of Finance shall run a Registry of real estate of residents abroad.

The Minister of Finance shall prescribe the method of reporting, registering, as well as the form, content and the method of running the Registry of real estate of residents abroad.

Investments of non-residents in real estate in the Republic of Macedonia

Article 12

Non-residents and subsidiaries of foreign companies in the Republic of Macedonia may invest in real estate in the Republic of Macedonia, solely under conditions defined under special law or ratified international treaties.

The entities under paragraph 1 of this Article shall register the investment and all modifications thereof in the Ministry of Finance within 30 days after acquiring the real estate in the Republic of Macedonia.

The Ministry of Finance shall record the investment and all the subsequent modifications thereof in the Registry of real estate of non-residents in the Republic of Macedonia.

The Ministry of Finance shall run a Registry of real estate of non-residents in the Republic of Macedonia.

The Minister of Finance shall prescribe the method of reporting, registering, as well as the form, content and method of running the Registry of real estate of non-residents in the Republic of Macedonia.

4.3. Securities transactions

Issuance and introduction of domestic securities abroad

Article 13

Residents shall register each transaction of issuance and introduction of domestic securities abroad in advance at the Securities and Exchange Commission.

The residents may issue and introduce securities and unit certificates abroad from the resident investment funds, upon prior approval granted by the Securities and Exchange Commission.

The Securities and Exchange Commission shall inform the Ministry of Finance on the granted approval stipulated under paragraph 2 of this Article.

The requirement for obtaining an approval from the Securities and Exchange Commission stipulated under paragraph 2 of this Article shall not pertain to cases when the authorized banks trade with financial derivatives abroad.

Securities and Exchange Commission shall prescribe the conditions and the methods under which the approval for performing the operations from paragraph 2 of this Article may be acquired.

Investments of residents in securities abroad

Article 14

Residents may subscribe, pay and trade in securities abroad solely through authorized participant in the securities market (hereinafter referred to as authorized participant).

The authorized participant shall regularly submit reports to the National Bank of the Republic of Macedonia on all residents' investments in securities abroad, as well as the modifications in these investments, including their sale.

The residents, other than authorized banks, may not purchase securities abroad.

The authorized banks may purchase and sell securities abroad on their behalf and for their account.

The right under paragraph 4 of this Article refers to securities issued or guaranteed by Governments of member states of the OECD or by international financial institutions.

The right under paragraph 4 of this Article also refers to other securities with investment rating assessed by at least one top international investment-rating agency.

The investment rating criteria shall be prescribed by the National Bank of the Republic of Macedonia.

Notwithstanding paragraph 4 of this Article, the investment funds registered in the Republic of Macedonia may purchase own unit certificates abroad, if in compliance with the regulation that stipulate the operations of the investment funds.

Issuance and introduction of foreign currency securities in the Republic of Macedonia

Article 15

The issuance and introduction of foreign currency securities in the Republic of Macedonia shall be permitted only with approval by the Securities and Exchange Commission.

The Securities and Exchange Commission shall prescribe the conditions and the methods under which the approval for the execution of the transactions of this Article may be acquired.

No issuance and introduction of foreign debt securities with more than three-year maturity in the Republic of Macedonia is permitted.

Investments of non-residents in securities in the Republic of Macedonia

Article 16

Non-residents may subscribe, pay and trade in securities in the Republic of Macedonia solely through authorized participants.

The authorized participant shall regularly submit reports to the National Bank of the Republic of Macedonia on all investments of non-residents in securities in the Republic of Macedonia, as well as modification in such investments, including their sale.

The National Bank of the Republic of Macedonia shall prescribe the method and the conditions for operations of the non-residents with the securities in the Republic of Macedonia.

Direct investments on the basis of investing in securities

Article 17

The provisions of Article 14 and 16 of this Law regulating the conditions and the method for investing in securities shall not be applied in cases of investing of kind of direct investments stipulated under Article 7 and 8 of this Law.

Investment Funds Operations

Article 18

Provisions of Article 13 and 14 of this Law shall be applied for transactions abroad made with unit certificates of the investment funds that are residents.

Article 19

Provisions of Article 16 of this Law shall be applied for transactions abroad made with unit certificates of investment funds that are non-residents.

4.4. Credit operations

Credit relations among residents and non-residents

Article 20

Authorized banks may conclude credit operations with non-residents for their account and on their behalf or on their own behalf and for the third party's account.

Residents other than authorized banks may conclude credit operations with non-residents for their account and on their behalf.

The National Bank of the Republic of Macedonia shall prescribe the method of recording the credit operations with abroad.

Credit relations among residents in foreign currency

Article 21

Authorized banks may grant credits to residents in foreign currencies for paying import of goods or services or for settling other foreign current liabilities.

The National Bank of the Republic of Macedonia shall prescribe the conditions under which residents may conclude credit operations in foreign currencies and make payments on the basis of the transactions stipulated under this Article.

Credit transactions of the Republic of Macedonia

Article 22

The Republic of Macedonia shall conclude credit operations and issue securities abroad pursuant to the Budget Law and other laws.

4.5. Deposit account operations

Resident accounts abroad

Article 23

Residents may open and hold accounts abroad, unless otherwise stipulated by this Law.

The National Bank of the Republic of Macedonia shall stipulate the method and the conditions under which the residents other than authorized banks may open and hold accounts abroad.

Non-residents accounts

Article 24

Non-residents may open foreign currency and Denar accounts in the authorized banks.

When opening the account, the authorized bank shall be required to identify the non-resident.

The National Bank of the Republic of Macedonia shall prescribe the method and the conditions for opening and keeping accounts under paragraph 1 of this Article.

4.6. Transfers emanating from assurance and credit insurance

Article 25

Transfers based on concluded agreements for assurance and credit insurance shall be made solely in accordance with the regulations.

5. Payments and transfers

5.1. Common Provisions

International payment operations

Article 26

International payment operations shall be carried out by banks authorized by the National Bank of the Republic of Macedonia to perform international payment operations.

The National Bank of the Republic of Macedonia shall carry out international payment operations for the needs of the Republic of Macedonia.

The National Bank of the Republic of Macedonia shall prescribe the method of carrying out international payment operations.

Cash payments

Article 27

Residents who are trade companies, sole proprietors and affiliates of foreign legal entities in the Republic of Macedonia may carry out payments and collection in effective foreign currencies in transactions with non-residents, under the method and the conditions prescribed by the National Bank of the Republic of Macedonia.

Residents may receive and execute payments by and from non-residents in effective Denars in the Republic of Macedonia pursuant to the regulations governing cash operations in the domestic payment operation.

Payments and transfers based on capital transactions

Article 28

Payments and transfers of funds based on capital transactions shall be free, provided that the transaction is concluded, recorded and registered pursuant to this Law and all liabilities based on tax and benefits towards the Republic of Macedonia arising therefrom are settled.

The payments and transfers of funds stipulated under paragraph 1 of this Article shall be deemed transfers of funds for execution of capital transactions, for the purpose of exercising the profit sharing rights of investor or reminder of property, after the bankruptcy or liquidation of the legal entity in which s/he invested is carried out.

The authorized bank may neither process the order for payment abroad nor give the beneficiary access to inflows from abroad, should this be inconsistent with paragraph 1 of this Article.

5.2. Unilateral Transfer of Assets

Import and Export of Effective Cash and Checks and Monetary Gold

Article 29

The Government of the Republic of Macedonia shall prescribe the terms and the maximum amount of effective domestic and foreign cash, checks and monetary gold permitted to be imported in the Republic of Macedonia or exported from the Republic of Macedonia.

When crossing the state border, residents and non-residents shall declare to the customs authorities any import or export of effective domestic or foreign cash, checks or monetary gold.

Transfer of Securities

Article 30

The transfer of securities to or from abroad shall be performed by an authorized bank.

As an exception, the provision set out in paragraph 1 of this Article shall not apply to a temporary transfer of securities to and from the Republic of Macedonia for the purpose of exercising the rights arising from the securities. Such a transfer shall be reported in advance to the National bank of the Republic of Macedonia.

A temporary transfer of securities abroad shall be permitted to the resident-owner of the securities, for the purposes of:

1. exercising rights arising from the securities;
2. transferring rights arising from those securities to a non-resident;
3. safe-keeping of foreign securities or those issued abroad by a resident, on the condition they are kept with persons who are authorized to conduct such a business abroad;
4. safe-keeping of domestic securities abroad issued by a resident;
5. placing domestic securities abroad as a collateral.

5.3. Foreign Means of Payment Market and Denar Exchange Rate

Foreign Means of Payment Market (hereinafter referred to as Foreign Exchange Market)

Article 31

Pursuant to this Law, foreign means of payment market (hereinafter: foreign exchange market) shall denote all sale and purchase transactions of foreign means of payment in the Republic of Macedonia.

The authorized banks shall conclude transactions for purchase and sale of the foreign means of payment on their behalf and for their account, as well as on their behalf and for third party's account.

Other entities may conclude transactions for purchase and sale of foreign means of payment on their behalf and for their account only with entities which have already obtained a approval for such operations from the National Bank of the Republic of Macedonia.

Residents other than authorized banks and exchange offices, shall purchase foreign means of payment on the foreign exchange market for payments abroad and shall sell foreign means of payment on the basis of payments from abroad.

Residents that are natural persons may purchase and sell foreign means of payment on the market for other purposes as well.

Residents other than natural persons, in order to carry on their business activity must not purchase or sell foreign means of payment through exchange offices.

The National Bank of the Republic of Macedonia shall prescribe the method and conditions under which the purchase and sale of foreign means of payment are performed in the Republic of Macedonia.

Forward Operations

Article 32

Forward operations may also be performed on the foreign exchange market

Forward transactions shall denote purchase or sale of foreign exchange, when the deadline for settlement of the liabilities is longer than two working days from the day the transaction is concluded.

Forming the Exchange Rate on the Foreign Exchange Market

Article 33

Exchange rate shall be freely formed on the foreign exchange market.

Participation of the National Bank of the Republic of Macedonia on the Foreign Exchange Market

Article 34

The National Bank of the Republic of Macedonia participates in the foreign exchange market in order to achieve the goals determined with the monetary and foreign exchange policy.

Article 35

The middle exchange rates of the National Bank of the Republic of Macedonia shall be used for accounting presentation of the claims and liabilities in terms of foreign means of payment according to the rules for accounting operations and for the balance of payments needs.

The middle exchange rate from the exchange list that the National Bank of the Republic of Macedonia publishes the last working day of the previous month shall be applied to the customs clearance of the import.

Exchange Offices Operations

Article 36

Exchange offices operations shall denote purchasing and selling foreign cash means of payment and checks denominated and payable in foreign currency.

Residents authorized by the National Bank of the Republic of Macedonia shall perform exchange operations.

The National Bank of the Republic of Macedonia shall prescribe the conditions and methods for obtaining a license and performing the exchange offices operations.

7. Special Measures

Special Measures of the National Bank of the Republic of Macedonia

Article 37

In case of threat by significant distortions in the Balance of Payments and by destabilizing the financial system, the National Bank of the Republic of Macedonia may introduce special protective measures. For the introduction of such protective measures, the National Bank of the Republic of Macedonia shall obtain a prior approval by the Government of the Republic of Macedonia.

The protective measures referred to in paragraph 1 of this Article must not be applied for a period exceeding six months.

Notwithstanding paragraph 2 of this Article, the National Bank of the Republic of Macedonia may extend the period of application of the protective measures on the basis of an opinion previously given by the Government of the Republic of Macedonia.

The National Bank of the Republic of Macedonia or the Government of the Republic of Macedonia may introduce additional protective measures if necessary, in order to implement sanctions of the United Nations Organization or other international organizations of which the Republic of Macedonia is a member.

In case of depletion of the gross foreign exchange reserves by 5% in the period of 10 sequential days, the National Bank of the Republic of Macedonia may determine a period within which the legal entities - residents must use their foreign exchange bought on the foreign exchange market for paying their liabilities abroad, or to sell them to the authorized bank from which the foreign currency has been purchased.

Article 38

The protective measures of the National Bank of the Republic of Macedonia referred to in Article 37 of this Law, introduced in case of a threat of distortion in the balance of payments and the stability of the financial system of the Republic of Macedonia, caused by a substantial outflow of capital from the Republic of Macedonia, shall refer to:

- the balance of the accounts of the residents abroad or their foreign-currency accounts in the Republic of Macedonia;
- trading in foreign means of payment, if the resident is a party;
- granting loans and credits by residents to non-residents, as well as advance payments by residents to non-residents or deferred payments from non-residents to residents;
- collection of matured and outstanding claims on non-residents;
- transfer of securities, cash, valuables and gold in or out of the Republic of Macedonia;
- transactions with securities and gold among residents and non-residents.

Article 39

The special measures of the National Bank of the Republic of Macedonia referred to in Article 37 of this Law, applied in a case of a threat of distortion of the balance of payments and the stability of the financial system of the Republic of Macedonia, caused by substantial inflow of capital into the Republic of Macedonia, shall refer to:

- accounts balances of non-residents in the Republic of Macedonia;
- trading in foreign means of payment, if the resident is a party;
- receiving loans and credits by residents from non-residents as well as advance payments by non-residents to residents or deferred payments from residents to non-residents;
- payment of matured and outstanding liabilities of residents to non-residents;
- transfers of securities, cash, valuables and gold in or out of the Republic of Macedonia;
- transaction of securities and gold among residents and non-residents;
- issuing guarantees and/or similar sureties (pledges), rights of pledge and financial back-up facilities for the account of non-residents.

8. REPORTING

8.1. General Provisions

Manner of reporting

Article 40

According to this Law, the entities (residents and non-residents) shall report directly or indirectly through authorized banks, authorized participants in the securities market, clearing and depositary houses and customs authorities.

The entities from paragraph 1 of this Article shall enable the National Bank of the Republic of Macedonia, i.e. the Ministry of Finance to audit their books of account and other business records whenever such an audit is necessary to verify data.

The National Bank of the Republic of Macedonia, the Minister of Finance and the Minister of Economy shall, within their competence, prescribe the method and conditions of reporting.

8.2. Reporting on Securities Operations

Article 41

The authorized participant shall inform the National Bank of the Republic of Macedonia on all residents' securities operations transacted abroad and all non-residents' securities operations transacted in the Republic of Macedonia.

Resident issuers of debt securities referred to in Article 13 shall report to the National Bank of the Republic of Macedonia on their issues and the sale of these securities abroad.

8.3. Reporting on Credit Transactions

Article 42

Residents must report on all credit transactions with non-residents.

The National Bank of the Republic of Macedonia shall prescribe the conditions and method of reporting on the credit operations.

For reporting purposes, according to this Law the following transactions among residents and non-residents shall be deemed credit operations:

1. transactions the subject of which is purchase or sale of goods, i.e. performance of certain services, if the payment of the goods, i.e. the services for these operations is not performed within 180 days after the delivery of goods, i.e. render of service;
2. transactions the subject of which is purchase or sale of goods, i.e. certain services, if the payment of the goods, i.e. the services for these operations is performed in a period longer than 180 days before the delivery of goods, i.e. render service;
3. giving and receiving mortgages and other types of pledge;

4. non-residents' purchasing of claims arising from legal relations between residents;
5. residents' purchasing of claims arising from legal relations between non-residents.

For reporting purposes, the National Bank of the Republic of Macedonia may provide that other operations among residents and non-residents whose economic aim corresponds with the aim of credit transaction i.e. loan on the basis of loan agreement shall be deemed as credit transactions.

9. SUPERVISION

Article 43

Pursuant to this Law, operations shall be supervised by the following entities within their competence: the National Bank of the Republic of Macedonia, the Ministry of Finance, the Ministry of Economy and the Securities and Exchange Commission (hereinafter: supervisory bodies).

Article 44

Pursuant to this Law, the supervisory bodies shall mutually cooperate, and at the request of any supervisory agency, the other shall forward all necessary information and data needed by that supervisory agency in the process of performing the tasks deriving from the supervision.

The supervisory bodies shall inform mutually on any irregularities they identified during supervision if relevant for the work of other supervisory bodies.

The method and procedure of mutual informing of the supervisory bodies as referred to in paragraph 1 and 2 of this Article shall be prescribed by the Minister of Finance.

Article 45

The National Bank of the Republic of Macedonia shall directly supervise the foreign exchange operations of authorized banks, savings houses and exchange offices to which it granted an operating license.

The National Bank of the Republic of Macedonia shall indirectly supervise other residents as well, on the basis of the received notifications pursuant to the provisions of Articles 40, 41, and 42 of this Law.

With respect to the determined illegalities and irregularities from the performed supervision on the residents under paragraph 2, the National Bank of the Republic of Macedonia shall undertake adequate actions.

Article 46

The Ministry of Finance - State Foreign Exchange Inspectorate shall supervise the operations of residents, other than banks, savings houses and exchange offices granted with operating license and non-residents.

Article 47

Residents and non-residents under Article 46 of this Law shall enable the foreign exchange inspector (hereinafter: the inspector) to perform, without hindrance, the inspection, insight into their operations and upon his request, make available or submit all the necessary documentation and data.

Article 48

Should the inspector during inspection establishes that a law or other legal regulation, has been violated, he/she shall order, with a decision, elimination of all illegalities and irregularities and within the set deadline.

Article 49

If the entity fails to eliminate the illegalities and the irregularities or fails to submit the required documentation within the period prescribed in the Decision of the inspector under Article 48 of this Law, the inspector shall bring a decision on temporary prohibition on performing certain activity. The temporary prohibition shall be valid until the fulfillment of the obligation prescribed in the decision.

The inspector shall submit the decision for temporary prohibition for performing certain operations, to the institution responsible for payment operations on behalf of the entity.

The inspector shall bring a decision on temporary prohibition on performing certain activity for the entities performing operations not entered in the Trade Registry, i.e. without approval by an authorized administrative body, or the National Bank of the Republic of Macedonia, and shall submit the decision to be executed by the Public Revenue Office at the Ministry of Finance.

Article 50

An appeal may be filed against the decision under Articles 48 and 49 to the Ministry of Finance within 8 days upon its receipt.

Any appeal shall not prevent the execution of the decision.

Article 51

Should the inspector determine violation of law or other regulation during the control, s/he may temporarily seize the objects which the misdemeanor or the felony has been committed with, or which have been intended for committing or have emerged from the misdemeanor or the felony.

The inspector shall prepare a report and issue a receipt for the temporarily seized objects. The type and the substance of the receipt shall be prescribed by the Minister of Finance.

The effective domestic and foreign currency, checks, monetary gold and securities, which have been temporarily seized, shall be deposited with the National Bank of the Republic of Macedonia.

The Minister of Finance shall prescribe the manner and procedure of depositing and returning the temporarily seized objects under paragraph 3 of this Article.

Article 52

The effective domestic and foreign currency, checks, monetary gold and securities, which have been temporarily seized as objects of misdemeanor or felony by the authorized bodies in accordance with this or other law, shall be deposited with the National Bank of the Republic of Macedonia.

The Minister of Finance shall prescribe the manner and procedure of depositing and returning the temporarily seized objects under paragraph 1 of this Article.

10. PENAL PROVISIONS

Criminal Offences

Article 53

The responsible person, the sole proprietor and the natural person (residents), who during their operations violate the provisions of this law, by using foreign currencies and other international measures of value as a currency of implementation of agreements among the residents shall be sentenced from 3 to 5 years of imprisonment.

Article 54

The responsible person in the legal entity or the sole proprietor who executes collection or payment in effective foreign currency on its behalf and for its account or for other person (legal or natural) on the territory of the Republic of Macedonia, contrary to the provisions of this law shall be sentenced from 6 months to 5 years of imprisonment.

Article 55

The responsible person in the legal entity or the sole proprietor who sales or purchase cash foreign means of operations and checks denominated and payable in foreign currency for other legal entity or natural person, without having authorization from the National Bank of the Republic of Macedonia, shall be sentenced from 3 months to 3 years of imprisonment.

Misdemeanors

Article 56

The legal entity, resident or non-resident shall be fined from Denar 250,000 to 300,000 for committing a misdemeanor, if it:

1. executes payment or collection in foreign currency for implementation of the agreements among residents contrary to this Law (Article 4 paragraph 1, 4 and 5);
2. holds means of payments or foreign exchange deposits with institutions which are not given an authority according to the Banking Law (Article 4 paragraph 2).
3. fails to report on the direct investment abroad in advance to the Ministry of Economy (Article 7 paragraph 2);
4. fails to register the investments and all further modifications thereof in the Ministry of Economy within the determined period from the conclusion of capital transaction which is a legal basis for acquiring direct investment abroad (Article 7 paragraph 4);
5. fails to register the investments and all further modifications thereof in the Ministry of Economy within the determined period from the conclusion of capital transaction which is a legal basis for acquiring direct investment in the Republic of Macedonia (Article 8 paragraph 2);
6. transfers the income and the funds received by alienation and sale of ownership share in the direct investment as well as transfer of the remainder of the liquidation estate contrary to this Law (Article 9);
7. invest in real estate abroad, contrary to this Law (Article 11 paragraph 1);
8. fails to register the investment in real estate abroad, or the modifications thereof, within the period determined by this Law (Article 11 paragraph 3);
9. fails to register the investment in real estate in the Republic of Macedonia, or the modifications thereof, within the period determined by this Law (Article 12 paragraph 2);
10. fails to report in advance to the Securities and Exchange Commission on the issuance and introduction of domestic securities abroad (Article 13 paragraph 1);
11. issues and introduces securities and unit certificates in the resident investment funds abroad without prior approval from the Securities and Exchange Commission (Article 13 paragraph 2);
12. fails to perform the registration, payment and the trade in securities abroad through an authorized participant (Article 14 paragraph 1);
13. fails to submit report to the National Bank of the Republic of Macedonia on regular basis on the investments of the resident in securities abroad, as well as modifications thereof and their sale (Article 11 paragraph 2);

14. the residents, other than authorized banks, purchase securities abroad contrary to the provisions of this Law (Article 14 paragraphs 3);
15. the authorized banks purchase and sale securities abroad on behalf of third party or for the account of third party on its behalf or for the account of third party (Article 14 paragraph 4, 5 and 6);
16. issues and introduces foreign securities in the Republic of Macedonia without having approval by the Securities and Exchange Commission (Article 15 paragraph 1);
17. issues and introduces foreign debt securities with more than three-year maturity in the Republic of Macedonia (article 15 paragraph 3);
18. fails to perform the registration, payment and the trade in securities in the Republic of Macedonia through an authorized participant (Article 16 paragraph 1);
19. fails to submit report to the National Bank of the Republic of Macedonia on regular basis on the investments of the non-resident in securities in the Republic of Macedonia, as well as modifications thereof, in accordance with this Law (Article 16 paragraph 2);
20. fails to apply the provisions of Articles 13 and 14 of this Law for the transactions abroad with the unit certificates of the investment funds that are residents (Article 18);
21. fails to apply the provisions of Articles 15 and 16 of this Law for the transactions with the unit certificates of the investment funds that are non-residents (Article 19);
22. performs the credit operations contrary to the method stipulated by this Law (Article 20);
23. extends credits in foreign currency to resident contrary to the provisions of this Law (Article 21 paragraph 1);
24. concludes credits in foreign currency to resident contrary to the conditions determined by the National Bank of the Republic of Macedonia (Article 21 paragraph 2);
25. a resident opens and has accounts abroad contrary to the conditions prescribed in this Law (Article 23);
26. open and keep Denar and foreign exchange accounts of non- residents contrary to the provisions of this Law (Article 24 paragraph 1);
27. fails to identify the non-resident when opening an account (Article 24 paragraph 2);
28. performs transfers based on concluded contracts for assurance and insurance of credits contrary to the regulations (Article 25);
29. performs international payment operations contrary to the method determined by the National Bank of the Republic of Macedonia (Article 26);

30. executes payment and collection of effective foreign currency in transactions with non-residents contrary to the method and conditions determined by the National Bank of the Republic of Macedonia (Article 27);
31. executes payment and transfer of funds based on capital transactions contrary to the provisions of this law (Article 28);
32. imports or exports effective domestic and foreign currency, checks and monetary gold contrary to the conditions determined by the Government of the Republic of Macedonia (Article 29);
33. performs transfer of securities abroad contrary to the provisions of this Law (Article 30);
34. executes transactions of purchase and sale of foreign means of payment with entities which are not granted an approval by the National Bank of the Republic of Macedonia (Article 31 paragraph 3);
35. purchases and sells foreign means of payment on the foreign exchange market contrary to the provisions of this Law (Article 31 paragraph 4);
36. purchases and sells foreign means of payment from the exchange offices in order to perform its activities, contrary to the provisions of this Law (Article 31 paragraph 6);
37. uses the middle exchange rates of the exchange list of the National Bank of the Republic of Macedonia contrary to the provisions of this Law (Article 35 paragraph 1);
38. fails to use the exchange list of the National Bank of the Republic of Macedonia during the customs clearance of the imports in accordance with this Law (Article 35 paragraph 2);
39. performs exchanging operations without having authorization from the National Bank of the Republic of Macedonia (Article 36 paragraph 2);
40. performs exchanging operations contrary to the method and conditions determined by the National Bank of the Republic of Macedonia (Article 36 paragraph 3);
41. fails to report on all transactions in accordance with this Law (Article 40);
42. fails to report on all transactions with securities abroad (Article 41);
43. fails to report on all credit transactions in accordance with this Law (Article 42);
44. fails to provide smooth inspection, insight in the operations and if it fails to make all the necessary documentation or data available or submit it upon its request (Article 47)

45. fails to implement the inspector's decision (Article 48, 49);

The responsible persons of the legal entity shall be fined from Denar 40.000 to 50.000 for the misdemeanor under paragraph 1 of this Article.

The natural persons, residents or non-residents shall be fined from Denar 40.000 to 50.000 for the misdemeanor under paragraph 1 of this Article.

Article 57

Besides the fine, also a security measure – ban on performing certain activity may also be undertaken for the misdemeanors under Article 56 of this Law, as follows:

- from 1 to 5 years for legal entities;
- from 6 months to 1 year for natural persons.

Besides the fine, also a security measure – seizure of the objects which the misdemeanor has been committed with, or which have been intended for committing or have emerged from the misdemeanor may also be undertaken for the misdemeanors under Article 56 of this Law.

Security measure – seizure of the vehicle if its concealed or hidden compartments have been used for hiding the object the misdemeanor has been committed with, and if the value of the object the misdemeanor has been committed with exceeds one third of the customs base of the vehicle.

As an exception to paragraph 2 of this Article, if the motives or other circumstances under which the misdemeanor has been committed indicate that it is not justified the object to be fully seized, the objects which the misdemeanor has been committed with, or which have been intended for committing or have emerged from the misdemeanor may be partially seized.

Article 58

The procedure for the misdemeanors stipulated under this Law may neither be initiated nor conducted two years after the perpetration of the misdemeanor.

The expiration of the period shall be terminated with each process activity undertaken for prosecution of the perpetrator of the misdemeanor.

After each termination the expiration period shall begin to be effective.

The expiration period of the prosecution shall begin in any case after 4 years after the perpetration of the misdemeanor.

11. TRANSITIONAL PROVISIONS

Article 59

The provisions of Article 4 paragraph 4 shall become effective on January 1, 2004.

The provisions of Article 11 paragraph 1, Article 13 paragraph 2, Article 14 paragraphs 3, 4, 5, 6, 7 and 8 and Article 15 paragraph 3 shall no longer be in effect after the expiration of the first stage of the Stabilization and Association Agreement between the Republic of Macedonia and the European Union.

In case of merging of the Macedonian Stock Exchange with other foreign stock exchanges, the provisions of Article 14 paragraphs 3, 4, 5, 6 and 7 of this Law, shall not pertain to the investments of residents in securities on these stock exchanges.

The provisions of Article 23 paragraph 2 of this law shall no longer be in effect after the expiration of the second stage of the Stabilization and Association Agreement between the Republic of Macedonia and the European Union.

12. FINAL PROVISIONS

Article 60

The by-laws stipulated by this Law shall be adopted within 60 days after the enactment of this Law.

Article 61

With the enactment of this Law, the Foreign Exchange Law ("Official Gazette of the Republic of Macedonia" no. 30/93 and 54/2000) and the International Credit Relations Law ("Official Gazette of the Republic of Macedonia" no. 31/93 and 41/96) shall no longer be in effect.

Article 62

This Law shall become effective on the day of its publication in the Official Gazette of the Republic of Macedonia, and shall be applied on October 1, 2001.