Strong presence of foreign-owned banks…

<table>
<thead>
<tr>
<th></th>
<th>Number of banks</th>
<th>Total assets</th>
<th>Capital and reserves</th>
<th>Loans to non-financial sector</th>
<th>Deposits from non-financial sector</th>
<th>Total net-income (financial result)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Foreign-owned banks</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1. Subsidiaries of foreign banks</td>
<td>6</td>
<td>57.6%</td>
<td>61.5%</td>
<td>65.0%</td>
<td>57.6%</td>
<td>69.0%</td>
</tr>
<tr>
<td>..... of which EU headquartered</td>
<td>5</td>
<td>48.2%</td>
<td>50.8%</td>
<td>54.5%</td>
<td>50.0%</td>
<td>63.4%</td>
</tr>
<tr>
<td>1.2. Other foreign-owned banks</td>
<td>5</td>
<td>13.5%</td>
<td>9.9%</td>
<td>14.9%</td>
<td>12.3%</td>
<td>3.4%</td>
</tr>
<tr>
<td>..... of which EU headquartered</td>
<td>3</td>
<td>10.0%</td>
<td>8.4%</td>
<td>11.2%</td>
<td>8.6%</td>
<td>4.0%</td>
</tr>
<tr>
<td><strong>2. Domestic banks</strong></td>
<td>4</td>
<td>28.9%</td>
<td>28.6%</td>
<td>20.1%</td>
<td>30.0%</td>
<td>27.6%</td>
</tr>
<tr>
<td><strong>3. Total banking system</strong></td>
<td><strong>15</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>
…… but negligible in the banking groups…
Robust home-host supervision arrangements are essential

- Meet the need of both authorities
- Complementary interests
- Divergences - conflicts of interests in some key respects
  - stability of the home financial system v.s. financial stability of the host country
  - allocation of capital and risks across a banking group
  - implementation of group strategy
  - more apparent in a bank distress situation
Supervisory approach to foreign-owned banks

- Same supervisory regime (risk profile; SI B..)
- Same legal requirements (risk limits, related party transactions, governance requirements)
- Limitation of outsourcing core bank functionality (IT system under very specific conditions..)
- Other supervisory and macro-prudential measures
Home-host cooperation

- Bilateral MoUs
- Participation in supervisory colleges for two foreign-owned banks (as observers)
- ECB stepped into existing bilateral MoUs between the NCAs and non-EU countries (October 2014)
- Memorandum of cooperation with ECB (exchange of information and data for the subsidiaries of EU banks that are under ECB competences) - November 2018
- Multilateral MoU with the EBA - October 2016
Home supervisors of the Macedonian Banks

- ECB is a home supervisor of almost half of the banking system
Home-host/host-host cooperation

• Supervisory colleges
  ➢ usually once a year
  ➢ limited scope of information sharing (risk assessment, recovery plan..)
  ➢ information sharing in one direction (host to home)
  ➢ Not for all subsidiaries that are SIBs
• informal cooperation (licensing; supervisory approach..)
Home-host cooperation (ECB/SSM)

- Enhance the frequency and intensity of information sharing with the ECB/SSM
- a platform for smooth information sharing on all Eurozone parent banks with operations in the region
- Access to data on the banking group through close cooperation with other host countries in the region
Thank you for your attention!