

XIV Annual Meeting

Activities report and Draft working program.

The past year was a year of Global recession which has deeply affected the international financial markets. This recession has spilled over in our financial sectors especially the industrial sector which in the last quarters has detected negative development. Within the frame of the World financial market the main themes of discussion and analysis were connected to the global crisis, the reasons which created it, different predictions why and when it will end, and the consequences in case the crisis prolongs more than the predictions.

There was not one-single relevant analysis of the world financial agencies and their web sites as well as the national ACI associations and their respective web pages that were not overflowed with expressions such were:

- Profits down
- Financial crisis
- Inflation
- Credit crunch
- Recession projections
- Slow recovery
- Stocks tumbling
- Mortgage-based loans etc

In Macedonia we were witnesses of the great dependence of the Macedonian economy with the World economic trends and the global economy. It is interesting to note how the fall in economic activity which started with the mortgage loans in the USA, as well as other credit derivatives and products practiced by other world financial centers impacted Macedonian financial sector even though there were no direct exposures or portfolio with the above mentioned high risk products.

However, the fall in the world global demand, including the demand for Macedonian products, has resulted in a large scale decrease of the export-import activity of the Macedonian companies in 2009 by 30%, and a decrease of 15 % in the industrial production, and with that the financial sector has embraced a new reality of a decreased working load.

In the last period, thanks to the first positive signs of an actual end of the recession and the first positive economic results and indicators coming from the most developed western economies give us the right to hope that the recession in Macedonia is taking its last blow. We hope that in the following period there will be an economic stabilization and a period of increased economic activity which would result from an increased domestic and foreign demand of Macedonian products and services and the new investments in the economy.

Exactly because of such a, sort of speak "pessimistic" year, the Macedonian ACI in 2009 has noted a slightly decreased activity.

However, even in these conditions, the Association has performed several activities in the spirit of encouraging a variety of activities of the financial markets in the Republic of

Macedonia. We are proud to note the fact that upon an initiative of ACI Macedonia, in cooperation with NBRM (National Bank of Macedonia), we have submitted to the Banking Association a proposal with the rules for the formation of MKDONIA which was accepted by the banking Association . In that respect, using the example of the reference interest rates of the world financial centers, the financial sector in Macedonia has finally created its first referral interest rate.

This referral interest rate is expected to become a referral interest rate for the activity on inter-banking deposit market and it will establish itself as main data base which will be used by the banks to bring decisions about their interest rate policy. Additionally, MKDONIA is a referral interest rate for inter-banking money loans which is based on a real-time trading between the banks.

Besides the newly adopted MKDONIA on the money market in Macedonia we carried on using the SKIBOR interest rate as an indicative interest rate, which was created out of 11 referral banks and it is quoting in 4 timeframes. Even though SKIBOR is an indicative interest rate which is created on the basis of the subjective views of the money market dealers within 11 domestic banks, it is gaining importance since Banks in practice tend to express their SKIBOR rates on more real basis to show the price at which they are ready to lend funds on the domestic money market.

At the same time Loan departments within the Macedonian banks have started applying the SKIBOR interest rates within the interest rates used in the loan contracts. From that aspect, it is of utmost importance that the referral banks remain attentive with quoting the interest rates and to increasingly base their quotations on the own conditions for credit-deposit working.

Within the frame of ACI Macedonia jurisprudence on its meeting has drawn topics on which it has been discussed about the contemporary problems that the banks deal with as well as the possibilities for work improvement in different areas of the bank operations.

Within the framework of the program which entails a regular visit of at list one global event organized by ACI the international association, the President of ACI Macedonia this year has attended the World Congress of ACI which was organized in Capetown, South Africa. On this congress governors of 17 central banks and 400 delegates from around the World have attended. Several topics were discussed over the course of this congress which were of general interest to the ACI World Association in which ACI Macedonia had the honor to be part of the big family of ACI and has actively take part in the work of the Congress.

Macedonian ACI has made a significant effort to bring in the Republic of Macedonia, for the first time, representatives of the world renowned brand Bloomberg, which last week it held its first presentation at which the representatives of the domestic banks had the opportunity to familiarize themselves with the services that Bloomberg offers in the field of financial information and with their financial instruments trading platforms.

We have come to a conclusion that any bank that wants to trade on the financial markets in a professional and competent level needs to have available a Bloomberg type trading platform. Some have already acquired this kind of trading platforms which is another reason why we tried to organize such an activity.

ACI in the field of education for several years now is performing a certification, especially of young participants on the financial markets, through passing an exam and acquiring a certificate for ACI dealing and ACI operations. These certificates are a confirmation that our usually young, less experienced participants have acquired the

knowledge of the market terminology, simple mathematical calculations, and ethical rules and standards in trading. Besides the above mentioned certificates which are front-office oriented ACI also makes available certificates for the back-office industry with the so called ACI operations certificate which is a benchmark certificate for having the competencies of all aspects of processing and settlement processes.

Furthermore, at the beginning of 2009, a preparatory seminar was organized for taking the ACI dealing certificate exam which was conducted, as usual, by Mr. Steiner, the official speaker of ACI.

In the period Jan-Aug 2009, 14 people have taken the exam out of which 13 have passed it. 6 persons have passed the ACI dealing and 7 have passed the ACI operations exam. We congratulate the success of the people who have passed the exams and we encourage the ones that are in doubt to take the exam as soon as possible. We have noted an increased need for employees in other than the trading sectors to take this exam, such as the employees working in the revision and risk management sectors. Furthermore we have seen a change in which an ever increasing number of students and unemployed individuals decide to take these exams and acquire the valued certificate with the purpose of increasing their knowledge and their competitiveness on the banking labor market.

We also encourage our members to have in mind the knowledge that can be obtained with passing the exams within the framework of the ACI Diploma, which is actually an upgrade and deepening of the knowledge in the area of Treasury & overall financial markets.

We will insist in the following years to give importance to the younger members of ACI and we will encourage them to increase their activities in the following period. Following this new principle we have suggested new and young members to take part in the new organizational structures of ACI Macedonia. We will carry in with intensified working meetings but we will also encourage the further development of informal meetings and networking of ACI members.

Working program proposal of the following meeting

- ACI and its members should perform regular and informal meetings and activities every last Thursday of the month.
- We should organize preparation courses for the ACI exams if there is interest for the exam.
- The Board responsible for the formation of referral interest rates in Macedonia (MKDONIA & SKIBOR) should carry on with supervising the referral interest rates & pricing and with submitting regular reports to ACI. Having in mind the ever increasing practical use of the indicative interest rate it will be needed for the members of the Board to be more proactive in following the activities on the inter-banking money market.
- Organizing a workshop on the topic of trading with state bonds and bills on the secondary market. We have concluded that a longer period of time the secondary market for state bonds and bills has been stagnating. We believe that this stagnation is a result of insufficient knowledge and practical experience by the banks, in trading, price calculation and transaction balancing. Therefore we suggest that ACI

Macedonia in cooperation with the relevant institutions to make an effort in 2010 to organize a workshop in which different topics will be addressed, such as the functioning of the secondary market with practical trading examples, price calculations, balancing etc. We believe this workshop should be performed in the light of the big variety of state bonds and bills which are present on the market.

- Organizing a seminar orientated towards the clients from the corporate sector with the purpose of bringing them closer to us and introducing them to the currency transactions and services which are offered by the Macedonian banks on the active financial markets in Macedonia.
- The latest news that I would like to share with you in the name of the ACI Presidency is our newly established cooperation with the Macedonian Trade Chamber in the banking Association part, in order for ACI Macedonia to become Associative member of the Chamber in the Banking association part and to be able to use free logistics and infrastructure for holding these meetings, seminars and other benefits. Having in mind the ever present problems with the organization of our working meetings and presentations we believe that this suggestion will be accepted.
- Conditions need to be met this year as well so we would be able to send one of our representatives to the meeting of the council of the world ACI Association of the financial markets or an appropriate event with a global significance.
- Other activities that would be organized upon proposals, suggestions, and initiatives or purpose based activities.

In short, this is out draft proposal for the next ACI meeting. In accordance with the procedure I put this draft to vote.

So please, put in your vote and thank you.

3.Financial report

In relation to the financial balance of the Association the most of the income is from the banks membership fees. Most of the ACI Macedonia outcome was addressed to membership fees for the World ACI. An extra outflow in 2008 was addressed to sending one of our representative to the annual meeting of the World ACI meeting in May which was covered by the sponsors of ACI Macedonia.

In the end, I would like to wish all of you , pleasant stay in Ohrid, and have a productive meeting.

Darko Stojkoski
Member of the Executive Board