

Pursuant to Article 14, item 7 of the Law on the National Bank of Serbia ("RS Official Gazette", Nos 72/2003, 55/2004 and 44/2010), the NBS Executive Board hereby issues

D E C I S I O N
ON BANKS' REQUIRED RESERVES WITH
THE NATIONAL BANK OF SERBIA

1. Banks shall calculate and allocate required reserves with reference to the ratio, method and due dates laid down by this Decision.

Banks referred to in paragraph 1 hereof mean banks licensed by the National Bank of Serbia and registered with the competent authority.

2. Banks shall calculate required reserves against:

1) liabilities in respect of dinar deposits, credits and securities, as well as other dinar liabilities, excluding dinar deposits received under transactions performed on behalf and for the account of third parties that are not in excess of the amount of the investment made from such deposits, and

2) liabilities in respect of foreign currency deposits, credits and securities and against other foreign currency liabilities, as well as deposits, credits and other foreign currency funds received from abroad under transactions performed on behalf and for the account of third parties.

3. Notwithstanding Section 2 hereof, banks shall not calculate required reserves against:

1) liabilities to the National Bank of Serbia;

2) liabilities to banks allocating required reserves with the National Bank of Serbia;

3) subordinated liabilities recognized by the National Bank of Serbia as eligible for inclusion into the bank's supplementary capital;

4) dinar and foreign currency liabilities in respect of funds received by banks from international financial institutions, governments and financial institutions founded by foreign states, through the intermediation of the government as the main debtor and/or owner of these funds or received directly, provided that the agreed principles of setting interest spreads are complied with on reinvestment of those funds;

5) foreign currency balances held by leasing companies in a special-purpose account opened with a bank;

6) dinar and foreign currency liabilities in respect of deposits, credits and other funds received from abroad from 1 October 2008 to 31 March

2010, until the originally established maturity of such liabilities, but no later than 31 December 2013;

7) time dinar savings deposits accumulated from 31 October to 8 November 2010, until their maturity, provided they are not foreign currency clause-indexed.

4. For calculation purposes, the reserve base shall consist of the dinar base and the foreign currency base.

The dinar base for the calculation of required reserves (hereinafter: "dinar reserve base") shall be the daily average of reservable dinar liabilities from Section 2, provision 1) hereof in the prior calendar month, excluding foreign currency clause-indexed dinar liabilities.

The foreign currency base for the calculation of required reserves (hereinafter: "foreign currency reserve base") shall be the daily average of reservable foreign currency liabilities from Section 2, provision 2) hereof in the prior calendar month, as well as the daily average of reservable foreign currency clause-indexed dinar liabilities from Section 2, provision 1) in the prior calendar month.

Foreign currency clause referred to herein shall be understood as foreign currency clause within the meaning of the law governing foreign exchange operations, as well as any other clause stipulating hedge against exchange rate volatility.

All days in the prior calendar month shall be included in the calculation of the daily average of reservable liabilities making up the dinar and/or foreign currency reserve base.

The daily average of reservable foreign currency liabilities shall be expressed in euros; balances denominated in other currencies shall be recalculated each day to euros by applying the official middle exchange rate of the National Bank of Serbia.

The daily average of reservable dinar liabilities from paragraph 3 hereof shall be expressed in euros; balances denominated in dinars shall be recalculated each day to euros by applying the official middle exchange rate of the National Bank of Serbia.

5. Banks shall calculate required reserves by applying the following ratios:

1)

- 5% – on the portion of the dinar base composed of liabilities maturing in less than two years, and/or 730 days,
- 0% – on the portion of the dinar base composed of liabilities maturing in over two years, and/or 730 days;

2)

- 30% – on the portion of the foreign currency base composed of liabilities maturing in less than two years, and/or 730 days,
- 25% – on the portion of the foreign currency base composed of liabilities maturing in over two years, and/or 730 days.

Required reserves from paragraph 1, provision 1) hereof shall be calculated in dinars.

Required reserves from paragraph 1, provision 2) hereof shall be calculated in euros.

Beginning from the maintenance period 18 February–17 March 2011, and ending with the maintenance period 18 July–17 August 2011, required reserves from paragraph 3 hereof shall be reduced by 25% of the increase in loans approved pursuant to the Government Programme of Measures for Mitigating Negative Effects of the Global Economic Crisis in the Republic of Serbia in 2011 (hereinafter: Government Programme).

Loans approved pursuant to the Government Programme shall include loans for liquidity maintenance, investment in long-term current assets, investment financing and export activities.

Banks shall carry data on loans referred to in this Section in special analytical accounts, supported with documentation which shows unambiguously that those loans were approved in accordance with the Government Programme.

The increase in loans from paragraph 4 of this Section shall be the difference between the balance of those loans as at the last calendar day of the month for which the reserve base is determined and their balance as at 13 January 2011, the effects of changes in the dinar exchange rate excluded.

Beginning from the maintenance period 18 August–17 September 2011, in calculating the increase in loans from this Section, only loans approved until 30 June 2011 shall be taken into account. This shall apply until their original maturity.

6. The calculated dinar required reserves shall be the sum of:

1) calculated dinar required reserves from Section 5, paragraph 1, provision 1) hereof;

2) 15% of the dinar equivalent of calculated required reserves in euros from Section 5, paragraph 1, provision 2), indent 1 hereof;

3) 10% of the dinar equivalent of calculated required reserves in euros from Section 5, paragraph 1, provision 2), indent 2 hereof.

Calculated foreign currency required reserves shall be the sum of:

1) 85% of calculated required reserves in euros from Section 5, paragraph 1, provision 2), indent 1 hereof, and

2) 90% of calculated required reserves in euros from Section 5, paragraph 1, provision 2), indent 2 thereof.

The dinar equivalent from paragraph 1, provisions 2) and 3) hereof shall be determined by applying the official middle exchange rate of the dinar valid on the day of calculation of required reserves, i.e. on the 17th day of the month.

7. Banks shall calculate required reserves on the 17th day of the month. Required reserves calculated in such a way shall be effective for the maintenance period from the 18th day of the month until the 17th day of the following month (hereinafter: "maintenance period").

On the 17th day of the month banks shall submit to the National Bank of Serbia data on the calculated amount of required reserves.

8. Banks shall allocate the calculated dinar required reserves to their gyro-accounts in dinars (hereinafter: "allocated dinar required reserves").

Banks shall allocate the calculated foreign currency required reserves to foreign currency accounts of the National Bank of Serbia in euros (hereinafter: "allocated foreign currency required reserves").

Notwithstanding paragraph 2 hereof, if allocation of foreign currency required reserves causes bank foreign exchange risk ratio to deviate from the ratio prescribed by the National Bank of Serbia's decision on risk management, a bank may allocate such reserves in US dollars.

9. During the maintenance period, banks shall keep the average daily balance of allocated dinar reserves at the level of calculated dinar reserve requirements.

During the maintenance period, banks shall keep the average daily balances of allocated foreign currency reserves at the level of calculated foreign currency reserve requirements.

The average daily balance of foreign currency required reserves allocated in US dollars shall be recalculated to euros by applying the official middle exchange rate of the National Bank of Serbia valid on the day of calculation of required reserves, i.e. on the 17th day of the month.

All days of the maintenance period shall be taken into account when calculating the average daily balance of allocated dinar and/or foreign currency reserves within the meaning of paragraphs 1 and 2 hereof.

As the daily balance of allocated dinar and/or foreign currency required reserves may be either higher or lower than the calculated amount of dinar and/or foreign currency required reserves, for the purposes of maintaining the average daily balance of allocated required reserves within the meaning of paragraphs 1 and 2 hereof, banks can issue orders for allocation, and/or withdrawal of balances from accounts under Section 8 hereof, and the National Bank of Serbia, subject to authorisation by banks, can issue orders for debiting and crediting foreign currency required reserve accounts in line with regulations on interbank clearing of foreign exchange payments.

10. The National Bank of Serbia shall pay remuneration to banks on the average daily balance of allocated dinar required reserves which does not exceed the amount of calculated dinar required reserves for each day of the maintenance period by applying the rate set by the decision on interest rates used by the National Bank of Serbia in implementation of monetary policy.

11. The National Bank of Serbia shall charge interest to banks that fail to meet the average daily balance of allocated dinar and/or foreign currency required reserves in the calculated amounts over the maintenance period, on the amount of the difference between the calculated and actual average daily balance of allocated dinar and/or foreign currency required reserves, for each day of the maintenance period by applying the rate set by the decision on interest rates used by the NBS in the implementation of monetary policy.

12. The National Bank of Serbia shall charge interest to banks that have calculated lower amount of dinar and/or foreign currency required reserves than prescribed hereunder, and shall charge it on the difference between the prescribed and calculated dinar and/or foreign currency required reserves, by applying the rate set by the decision on interest rates used by the NBS in the implementation of monetary policy, for as many maintenance periods to which such inaccurate calculation is applicable.

13. The interest from Sections 10–12 hereof shall be calculated and paid and/or charged in the currency in which required reserves are allocated, i.e. in dinars and euros.

The remuneration from Section 10 hereof for the maintenance period shall be calculated and paid on the second business day following the expiry of such maintenance period.

The interest from Sections 11 and 12 hereof shall be calculated until the end of the month for the prior maintenance period, and it shall be collected on the 8th day of the following month.

14. For the purposes hereof, business days mean days when interbank payments are performed through the National Bank of Serbia in line with regulations on operations of the NBS RTGS and clearing system.

15. On 17 February 2011, banks shall establish the amount of foreign currency required reserves to be allocated (hereinafter: February foreign currency reserves) as follows:

1) banks whose foreign currency required reserves calculated on 17 February 2011 are higher than the amount of reserves allocated in January shall allocate the January amount plus 1/3 of the difference between foreign currency required reserves calculated on 17 February 2011 and the foreign currency reserves allocated in January;

2) banks whose foreign currency required reserves calculated on 17 February 2011 are lower than the amount of reserves allocated in January shall allocate the January amount less 1/3 of the difference between foreign currency required reserves calculated on 17 February 2011 and the foreign currency reserves allocated in January.

The January foreign currency reserves referred to in paragraph 1 hereof shall be the foreign currency portion of foreign currency required reserves established as at 17 January 2011 in accordance with the Decision on Banks' Required Reserves with the National Bank of Serbia ("RS Official Gazette", Nos 12/2010 and 78/2010).

16. On 17 March 2011, banks shall establish the amount of foreign currency required reserves to be allocated as follows:

1) banks whose foreign currency required reserves calculated on 17 March 2011 are higher than the amount of reserves allocated in February shall allocate the February amount plus 1/2 of the difference between foreign currency required reserves calculated on 17 March 2011 and the foreign currency reserves allocated in February;

2) banks whose foreign currency required reserves calculated on 17 March 2011 are lower than the amount of reserves allocated in February shall allocate the February amount less 1/2 of the difference between foreign currency required reserves calculated on 17 March 2011 and the foreign currency reserves allocated in February.

17. On 17 February 2011, banks shall establish the amount of dinar required reserves to be allocated (hereinafter: February dinar reserves) as follows:

1) banks whose dinar required reserves calculated on 17 February 2011 are higher than the amount of reserves allocated in January shall allocate the January amount plus 1/3 of the difference between dinar required reserves calculated on 17 February 2011 and the dinar reserves allocated in January;

2) banks whose dinar required reserves calculated on 17 February 2011 are lower than the amount of reserves allocated in January shall allocate the January amount less 1/3 of the difference between dinar required reserves calculated on 17 February 2011 and the dinar reserves allocated in January.

The January dinar reserves referred to in paragraph 1 hereof shall be the sum of calculated dinar required reserves and the dinar portion of foreign currency required reserves established as at 17 January 2011 in accordance with the Decision on Banks' Required Reserves with the National Bank of Serbia ("RS Official Gazette", Nos 12/2010 and 78/2010).

18. On 17 March 2011, banks shall establish the amount of dinar required reserves to be allocated as follows:

1) banks whose dinar required reserves calculated on 17 March 2011 are higher than the amount allocated in February shall allocate the February amount plus 1/2 of the difference between dinar required reserves calculated on 17 March 2011 and the dinar reserves allocated in February;

2) banks whose dinar required reserves calculated on 17 March 2011 are lower than the amount of reserves allocated in February shall allocate the February amount less 1/2 of the difference between dinar required reserves calculated on 17 March 2011 and the dinar reserves allocated in February.

19. The National Bank of Serbia shall issue guidelines for the implementation of this Decision.

20. The first calculation of required reserves pursuant to the provisions of this Decision shall be submitted by banks on 17 February 2011 based on dinar and/or foreign currency reservable bases in January 2011.

21. This decision shall supersede the Decision on Banks' Required Reserves with the National Bank of Serbia ("RS Official Gazette, Nos 12/2010 and 78/2010).

22. This Decision shall be published in the "RS Official Gazette" and shall take effect on 17 February 2011.

NBS EB No 9
18 January 2011
B e l g r a d e

Chairman at the meeting of
the NBS Executive Board
G o v e r n o r
National Bank of Serbia

Dr Dejan Šoškić, sign.