

Pursuant to Article 18, paragraph 1, item 2 of the Law on the National Bank of Serbia (RS Official Gazette, Nos 72/2003, 55/2004, 85/2005 – other law, 44/2010, 76/2012 and 106/2012), Section 8, paragraph 5 of the Decision on the Conditions and Manner of Implementing Open Market Operations (RS Official Gazette, Nos 45/2011 and 34/2013), Section 2a, paragraph 5 of the Decision on the Conditions and Manner of Extending Daily Liquidity Loans to Banks Against a Collateral of Securities (RS Official Gazette, Nos 52/2008, 40/2010, 3/2011, 18/2011 and 34/2013) and Section 5, paragraph 5 of the Decision on Terms and Conditions of Granting Short-Term Liquidity Loans Against a Collateral of Securities (RS Official Gazette, Nos 95/2010, 3/2011, 18/2011, 98/2012 and 34/2013), the Governor of the National Bank of Serbia issues the following

DECISION

DETERMINING THE UPWARD/DOWNWARD HAIRCUT TO THE NOMINAL VALUE OF SECURITIES

1. This Decision determines the level of upward haircut that the National Bank of Serbia may apply to the nominal value of securities subject to repo transactions as defined by the decision specifying the conditions and manner of implementing open market operations.

This Decision also determines the level of downward haircut that the National Bank of Serbia may apply to the nominal value of securities:

1) in repo transactions as defined by the decision specifying the conditions and manner of implementing open market operations;

2) in granting daily liquidity loans to banks as determined by the decision on the conditions and manner of extending daily liquidity loans to banks against a collateral of securities;

3) in granting short-term dinar liquidity loans to banks as determined by the decision on terms and conditions of granting short-term dinar liquidity loans to banks against a collateral of securities.

2. The level of haircut referred to in Section 1 hereof is determined for dinar-denominated securities without a currency clause, issued by the National Bank of Serbia, the Republic of Serbia, an international financial organisation and an international development bank, or a financial institution as defined by the decisions in Section 1, and according to the type of securities and their residual maturity. The level of haircut is presented in Annex 1 which is printed with this Decision and is an integral part thereof.

3. The National Bank of Serbia determines the downward haircut to the nominal value of securities bearing in mind the market price of these securities and the current market and monetary developments.

The levels of haircut from Section 1 hereof are determined in such manner that the amount of the repurchase price in a repo transaction, or the amount of the extended daily liquidity loan, or the amount of the extended short-term dinar loan, interest included, corresponds to the price of securities as at the repurchase date, or the loan due date – taking into account the loan with the longest maturity, as well as interest rates on this loan and interest rates on securities that are the subject of repo transactions, or loans applied on the day the haircut levels are determined.

When determining the levels of haircut from paragraph 1 hereof, the National Bank of Serbia shall apply a safeguard increase in the level of upward haircuts determined in paragraph 2 thereof in order to hedge against interest rate risk.

4. This Decision repeals the Decision Determining the Upward/Downward Haircut to the Nominal Value of Securities (G No 4103 of 19 June 2012).

5. This Decision will be published on the National Bank of Serbia's website and shall enter into force on the day of its adoption, while it shall apply as of 14 May 2013.

G No 2663
10 May 2013
B e l g r a d e

G o v e r n o r
National Bank of Serbia

Dr Jorgovanka Tabaković, sgn.

**THE LEVEL OF UPWARD/DOWNWARD HAIRCUT
TO THE NOMINAL VALUE OF SECURITIES**

REPO SALE OF SECURITIES		
<i>Type of securities</i>	<i>Residual maturity in days</i>	<i>Upward haircut</i>
NBS bills	up to 371	0.00%
REPO PURCHASE OF SECURITIES DAILY LIQUIDITY LOAN SHORT-TERM DINAR LOAN		
<i>Type of securities</i>	<i>Residual maturity in days</i>	<i>Downward haircut</i>
NBS bills	up to 371	18.00%
Discount securities of the RS, international financial organisations and international development banks or financial institutions	up to 371	18.00%
	372–731	30.00%
Coupon securities of the RS, international financial organisations and international development banks or financial institutions	up to 371	9.00%
	372–731	11.00%
	732–1,096	13.00%
	over 1,096	20.00%