

Based on Article 14, paragraph 1, item 9, and with reference to Article 45, item 1 of the Law on the National Bank of Serbia ("RS Official Gazette", No. 72/2003, 55/2004 and 44/2010), the Executive Board of the National Bank of Serbia hereby issues

D E C I S I O N

ON TERMS AND CONDITIONS OF FOREIGN EXCHANGE SPOT TRADING BETWEEN THE NATIONAL BANK OF SERBIA AND BANKS

General provisions

1. Under the terms and conditions stipulated herein, the National Bank of Serbia (NBS) may engage in direct spot foreign exchange transactions with banks in the Interbank Foreign Exchange Market (IFEM).

2. For the purposes hereof, spot purchase/sale of foreign exchange means purchase/sale of foreign exchange – euros for dinars, taking place two business days from the date of conclusion of the purchase/sale agreement and/or trade date.

3. The NBS shall perform spot transactions with a bank fulfilling the conditions stipulated by the decision on operating terms and procedures in the IFEM, by this Decision, and the regulations for the implementation of those two decisions.

4. For the purposes of performing spot transactions, the NBS shall conclude with a bank a master agreement on spot purchase/sale of foreign exchange, regulating in detail the relations between the NBS and a bank in respect of conclusion of individual spot transactions and settlement of obligations by the contracting parties.

5. For the purposes hereof, the NBS may perform spot purchase/sale of foreign exchange:

1) **at auctions** – where banks submit bids for the purchase/sale of foreign exchange in line with defined rules and within the established deadline;

2) **on a bilateral basis** – based on single bank's bid for purchase/sale of foreign exchange, as well as based on the NBS's offer.

Auction spot purchase/sale of foreign exchange

6. As a rule, auction spot purchase/sale of foreign exchange with banks, including the submission of notifications on organisation of auctions, the submission of banks' bids for purchase/sale of foreign exchange, and the processing and acceptance of those bids by the NBS shall be performed via the web platform *Monetary operations of the NBS – application for trading in foreign exchange*.

The access and use of the application from paragraph 1 hereof shall be regulated in more detail in the user manual.

The submission of notifications on organisation of auctions, submission of banks' bids for purchase/sale of foreign exchange and the acceptance of those bids may also be performed via electronic services, electronic mail or telefax.

7. The NBS may perform spot purchase/sale of foreign exchange (euros for dinars):

- 1) at fixed rate auctions – at the exchange rate predefined and announced by the NBS;
- 2) at variable rate auctions – at the exchange rate not predefined and announced by the NBS.

Variable rate auctions may be:

- 1) multiple rate – auctions at the multiple RSD/EUR exchange rate with the NBS purchasing/selling foreign exchange at the exchange rates offered by the banks whose bids were accepted at the auction;
- 2) single rate – auctions at the single RSD/EUR exchange rate with the NBS purchasing/selling foreign exchange at the same exchange rate from each bank whose bid was accepted at the auction.

8. The Governor or person authorized by him/her shall adopt a decision on organization of an auction where spot purchase/sale of foreign exchange will be made. The decision shall contain the following main information:

- 1) date of auction,
- 2) type of spot transaction,
- 3) type of auction,
- 4) level of exchange rate – if auction is organized at fixed method,
- 5) spot currency date and/or settlement date,
- 6) number of bids that a bank may submit in a variable rate auction,

- 7) minimum amount that a bank's bid can be made out to,
- 8) deadline for the submission of bank bids.

Apart from information from paragraph 1 hereof, the decision on organization of an auction may also contain information on the maximum amount of funds – foreign exchange spot-purchased/sold by the NBS, on the minimum or maximum exchange rate that a bank's bid may contain to be accepted for processing, the maximum amount that a bank's bid may be made out to, and other information relevant for conducting the auction and/or executing a spot transaction.

9. If auctions for certain types of spot transactions are held several times during the day or frequently over a certain period, the decision on organization of an auction may refer to several auctions.

10. Pursuant to the decision on organization of an auction, no later than on the date of auction holding the NBS shall send to banks a notification of auction holding along with the main information from the decision.

11. Banks shall submit to the NBS bids for spot purchase/sale of foreign exchange within the time period defined in the notification on organization of an auction.

12. At a fixed rate auction, a bank may submit to the NBS only one bid specifying the amount of foreign exchange it intends to purchase/sell at the exchange rate predefined and announced by the NBS.

Based on the banks' bids received on the day of the auction, the Governor or a person authorised by him/her shall decide on the total amount to be spot purchased/sold by the NBS at the auction.

If the total amount of foreign exchange bid by banks is higher than the total amount of foreign exchange that the NBS intends to sell/purchase, foreign exchange shall be proportionately allotted to individual banks, commensurately with the share of each bank's bid in the total amount of foreign exchange bid by banks.

13. At a variable rate auction, a bank may submit to the NBS one or more bids, in line with the decision on organization of auction, specifying the amounts of foreign exchange that a bank purchases/sells, along with applicable exchange rates.

14. The sequence of single banks' bids at a variable rate auction shall be established according to the level of exchange rates specified in those bids, starting from the highest to the lowest rates – if the NBS sells foreign exchange, and from the lowest to the highest – if the NBS purchases foreign exchange.

Once the sequence from paragraph 1 hereof has been defined, the Governor or person authorized by him/her shall decide on the minimum and/or maximum dinar exchange rate against the euro for a bank's bid to be accepted (marginal exchange rate), as well as on the total amount to be sold/purchased by the NBS.

At a multiple rate auction, the NBS shall purchase/sell foreign exchange at the exchange rates offered by the banks whose bids were accepted.

At a single rate auction, the NBS shall sell/purchase foreign exchange from all banks whose bids were accepted at one and the same exchange rate, i.e. marginal exchange rate.

The total amount of foreign exchange shall be allotted according to the sequence from paragraph 1 hereof. If the amount of foreign exchange specified in bank bids at the marginal exchange rate is higher than the amount of the remaining foreign exchange that the NBS spot purchases/sells – the allotment shall be made proportionately to the share of those bids in the amount of foreign exchange specified in bids at the marginal exchange rate.

15. The National Bank of Serbia shall submit a special spot agreement to banks whose bids have been accepted in full or in part, and shall send a notification on non-acceptance to banks whose bids have not been accepted.

16. After holding an auction, the NBS may post a notification thereof on its website – as a rule, on the day of the auction.

Bilateral spot purchase/sale of foreign exchange

17. The NBS can perform bilateral spot purchase/sale of foreign exchange with banks by:

- 1) inviting banks to submit their bids for spot purchase/sale of foreign exchange;
- 2) quoting its offer in response to a single bank's request for spot purchase/sale of foreign exchange;
- 3) accepting the bank's bid for spot purchase/sale of foreign exchange.

The submission of bids from paragraph 1 hereof, the acceptance of those bids and the exchange of necessary information and notifications between the NBS and banks shall, as a rule, be performed via electronic

services for foreign exchange trading, and may also be conducted via electronic mail, telefax or in writing.

The Governor or person authorised by him/her shall decide on each bilateral spot purchase/sale of foreign exchange within the meaning of this Section.

Entering into a special agreement

18. The NBS and a bank shall enter into a special agreement on each spot auction or bilateral transaction.

The NBS and the bank shall verify the elements of the special agreement referred to herein by exchanging MT300 SWIFT messages.

Settlement of obligations

19. The NBS shall settle its obligations towards a bank based on spot purchase/sale of foreign exchange after the bank has settled its obligations towards the NBS.

20. If a bank fails to settle its obligations towards the NBS on the settlement date and/or fails to settle them in full – the special agreement on purchase/sale of foreign exchange shall be terminated.

If a bank has paid to the NBS on the settlement date an amount lower than the amount due – the special agreement on purchase/sale of foreign exchange shall be terminated and the NBS shall return to the bank the amount the bank has credited to its account.

21. If a bank fails to meet its obligations under the special agreement on spot purchase/sale of foreign exchange – the NBS may restrict such bank's trading in foreign exchange with the NBS, pursuant to the decision on operating terms and procedures in the IFEM.

22. The NBS shall issue guidelines for the implementation of this Decision.

Transitional and final provision

23. The obligations under individually performed spot transactions between the NBS and a bank, which did not mature until the effective date of this Decision shall be settled in line with the provisions of the concluded master and special spot agreement.

24. This Decision shall be published in the "RS Official Gazette" and shall enter into force on 1 March 2011.

NBS Executive Board No 14
16 February 2011
B e l g r a d e

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

dr Dejan Šoškić, *sign.*