

Pursuant to Article 18, paragraph 1, item 3 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, 106/2012, 14/2015 and 40/2015 – Constitutional Court decision 44/2018) and Section 26 of the Decision on Terms and Conditions of Granting Short-Term Liquidity Loans Against the Collateral of Securities (RS Official Gazette, Nos 95/2010, 3/2011, 18/2011, 98/2012, 34/2013 и 8/2019), Governor of the National Bank of Serbia issues the following

**GUIDELINES
IMPLEMENTING THE DECISION ON TERMS AND CONDITIONS OF
GRANTING SHORT-TERM LIQUIDITY LOANS AGAINST THE
COLLATERAL OF SECURITIES**

Basic provisions

1. These Guidelines set forth in more detail the terms and conditions of performing the activities in relation to granting to banks dinar liquidity loans with maximum one-year maturity against the collateral of securities (hereinafter: short-term loan).

2. The activities referred to in Section 1 hereof relate to:

- 1) pledging the securities underlying a short-term loan and/or registration and termination of a lien of the National Bank of Serbia (NBS);
- 2) granting, disbursement and repayment of a short-term loan;
- 3) collection of receivables due (principal and interest) under a short-term loan.

Business processes between the NBS and banks in relation to the implementation of these Guidelines shall be conducted via electronic mail or telefax using email addresses and telefax numbers specified by banks in the authorisation form referred to in Section 11 hereof (Annex 1).

3. The NBS may grant to a bank a short-term loan against the collateral of securities determined by Section 2 of the Decision on Terms and Conditions of Granting Short-Term Liquidity Loans Against the Collateral of Securities (hereinafter: Decision).

The NBS may grant to a bank a short-term loan if the term of the pledge of securities determined by Section 2 of the Decision (hereinafter: securities) is at least one business day longer than the due date of the short-term loan.

Exceptionally, if the due date of a short-term loan is longer than three months, a bank may initially pledge securities that mature before the due date of the short-term loan – provided that at least three months remain from the date of granting a short-term loan until the maturity date of such securities and that these securities are pledged until their maturity date.

4. For the purposes of disbursement of a short-term loan, a bank shall conclude with the NBS a master agreement on a short-term loan (hereinafter: master agreement), as envisaged under Section 7 of the Decision, and shall submit to the NBS an appropriate number of signed and certified blank promissory notes and an authorisation for their completion.

Pledging of securities (registration of NBS lien)

5. A bank shall pledge securities, which constitute the basis for granting a short-term loan, by registering the NBS lien over these securities. The registration of the NBS lien over these securities shall be made by transferring these securities to the escrow account of the bank as the pledge issuer, which is held in the Central Securities Depository and Clearing House a.d. Beograd (hereinafter: Central Securities Depository), in favour of the NBS as the recipient of pledge under a short-term loan.

The certificate of the Central Securities Depository on pledged securities over which the NBS lien is registered shall serve as evidence that the securities are pledged.

6. A bank shall pledge securities before the auction – by no later than the time envisaged by the decision on organisation of an auction.

7. A bank may not substitute the pledged securities during the period of disbursement of a short-term loan, unless in cases stipulated by Section 4, paragraph 1 of the Decision.

In case of substitution of pledged securities in line with Section 4, paragraph 1 of the Decision, the maturity date of securities being pledged must be longer than the due date of a short-term loan at the moment of registration of NBS lien, and the term over which securities are pledged must be longer than the due date of a short-term loan by at least one business day.

In case of substitution of pledged securities in line with Section 4, paragraph 1 of the Decision, a downward haircut shall apply to the nominal value of pledged securities determined in line with the Decision referred to in Section 5, paragraph 5 of the Decision (hereinafter: downward haircut).

If a bank fails to substitute the pledged securities within the timeframe referred to in Section 4, paragraph 2 of the Decision, it shall within that timeframe return to the NBS the amount of the short-term loan collateralised by pledged securities being subject to substitution.

8. If it assesses that the pledge will not suffice to ensure regular repayment of the short-term loan it has granted, the NBS may, in line with Section 4, paragraph 3 of the Decision, request from a bank to pledge additional securities.

The NBS shall forward the request referred to in paragraph 1 hereof to the bank in writing, specifying the amount of additional securities that the bank is required to pledge.

When establishing the amount referred to in paragraph 2 hereof, the downward haircut to the nominal value of pledged securities shall apply, determined in accordance with the Decision referred to in Section 5, paragraph 5 of this Decision.

If a bank fails to pledge additional securities within the timeframe referred to in Section 4, paragraph 4 of the Decision, in full compliance with the NBS request referred to in this Section, it shall within the same timeframe repay to the NBS the part of the short-term loan for which additional collateral was required.

The provisions of this Section shall also apply in the event of the issuer repaying early the pledged securities during the use of the short-term loan.

9. The NBS shall determine the downward haircut value in line with Section 5 of the Decision.

Granting of loans at auctions

Auction notification

10. Based on the decision on organisation of an auction, the NBS shall electronically submit to banks the auction notification, which shall contain all relevant data from that decision.

Submission of loan applications

11. A bank that intends to participate in an auction shall within the timeframe determined by the decision on organisation of an auction send to the NBS by electronic mail or telefax the *application for the disbursement of a short-term loan against the collateral of securities* (hereinafter: application),

containing the key elements stipulated in Annex 2. The application may be submitted only by persons from the bank who are authorised to submit applications on behalf and for the account of the bank and whose authorisations the bank is required to submit to the NBS in the prescribed form (Annex 1).

12. If within the timeframe for the submission of applications, determined by the decision on organisation of an auction, a bank wishes to change its application, it shall, within that timeframe, submit a new application. The previous application shall become null and void after the receipt of the new application.

If within the timeframe referred to in paragraph 1 hereof a bank wishes to cancel its application, it shall submit within that timeframe the application form (Annex 2) specifying the reference number of the application to be cancelled, but not the amount of the loan or the interest rate.

If permitted to submit multiple applications, in line with the decision on organisation of an auction, the bank shall enter all offers in the same application form (Annex 2).

A bank shall be responsible for the validity and accuracy of its application.

Notification of the bank of receipt of the application

13. Following the receipt of the bank's application, the NBS shall notify the bank electronically or by telefax that its application will be processed or that it has been rejected. The NBS shall specify the reason for rejection in the notification on application rejection.

Implementation of auction and notification of application acceptance

14. The NBS shall implement an auction in line with Sections 16–18 of the Decision.

If the NBS accepts a bank's application in part or if a bank pledged a higher amount of securities than required, the securities pledged shall be accepted as security according to residual term – starting from those with the shortest time to maturity.

15. Following the processing of applications in line with Section 14 hereof, the NBS shall notify a bank electronically or by telefax of the acceptance/rejection of its application.

If the NBS accepted a bank's application in full or in part, it shall send to the bank an application acceptance certificate, which represents an individual loan agreement concluded under the terms of the Decision. The main elements of the application acceptance certificate (individual agreement) are set out in Annex 3.

16. If the amount of securities pledged by a bank is greater than required in line with the application acceptance certificate referred to in Section 15, paragraph 2 hereof or if the NBS rejects the bank's application at the auction, the NBS shall, by no later than the next business day from the auction day, send to the Central Securities Depository the notification that conditions have been met for the termination of the NBS lien over excess pledged securities or all pledged securities.

Disbursement and repayment of a short-term loan

17. The NBS shall extend a short-term loan provided a bank has pledged securities in full compliance with the application acceptance certificate referred to in Section 15, paragraph 2 hereof, which is determined based on the Central Securities Depository's certificate referred to in Section 5, paragraph 2 hereof.

18. A bank shall repay a short-term loan to the NBS on the due date, by no later than the cut-off time for the execution of transfer orders, in line with the operating rules of the NBS RTGS payment system (hereinafter: operating rules).

19. A bank shall repay a short-term loan to the credit of the NBS account – *Primary issue under open market operations*, No 908-88107-79, credit ref. No 6-157023-xxxxxxxx, where the designation 'xxxxxxxx' refers to the bank's code from the codebook used by banks to complete payment orders and posted on the NBS website (hereinafter: Codebook).

20. If on the maturity date of the securities pledged a bank has no outstanding obligations under a short-term loan, the NBS shall send on the same day a notification to the Central Securities Depository confirming the fulfilment of conditions for the termination of the NBS lien. The notification shall contain all elements of the securities transfer order. If a bank has not fulfilled all its obligations, the lien may partially cease only if the remaining pledge of securities is sufficient to secure the settlement of receivables of the NBS.

21. In line with Section 9 of the Decision, a bank may repay in full or in part one or several short-term loans in advance of the due date. In such case, the NBS shall send a notification to the Central Securities Depository

confirming the fulfilment of conditions for the termination of NBS lien over all pledged securities or part of these securities. The notification shall contain all elements of the securities transfer order.

If repaying a short-term loan before the due date, a bank shall pay interest to the NBS determined in line with Section 6 of the Decision and accrued over the loan disbursement period.

Collection of NBS receivables

22. The NBS shall collect its receivables based on a loan not repaid, with accrued interest, from the sale or appropriation of pledged securities, in accordance with the law regulating financial collateral, regulations of the Central Securities Depository, these Guidelines and master agreement.

The NBS shall decide whether to settle its receivables through the sale or appropriation of pledged securities.

23. The Central Securities Depository shall transfer the amounts obtained from the sale of pledged securities to the money account of the NBS – the pledge recipient, and shall simultaneously transfer these securities from the escrow account of the bank – pledge issuer, to the proprietary account of the securities buyer.

If a bank fails to return the amount of a disbursed short-term loan within the deadline referred to in Section 18 hereof, and/or if it fails to return it in accordance with Section 4, paragraphs 2 and 4 of the Decision, the amounts that the issuer of pledged securities pays based on those securities after the expiry of the deadlines referred to in those Sections (repayment to maturity, repayment of a part of nominal value, early repurchase, payment of income etc.) shall belong to the NBS for the purpose of the settlement of its due receivables and shall be transferred to the money account of the NBS in accordance with the master agreement.

If the amount obtained through the sale of the securities pledged, i.e. the amount referred to in paragraph 2 of this Section exceeds the value of NBS receivables, the NBS shall without delay transfer the excess amount to the bank's current account.

24. The amount of interest calculated and charged by the NBS in line with Sections 6 and 24 of the Decision shall be credited by the bank, based on the calculation it receives from the NBS, to the NBS account – *NBS revenue/expenditure*, No 980-1-33, credit ref. No 6-020006-xxxxxxx, where the designation 'xxxxxxx' refers to the bank's code from the Codebook – until the 8th day in the month for the previous month.

If during the disbursement of a short-term loan due to a change in the NBS key policy rate, the interest rate referred to in Section 6 of the Decision is changed, the NBS shall calculate interest by applying this interest rate for the period of loan disbursement, as of the day of start of application of the changed key policy rate.

25. The NBS shall collect the receivables arising from the outstanding interest that a bank is required to pay in line with the Decision and these Guidelines against promissory notes provided by the bank. Pursuant to Section 25 of the Decision, the NBS may also use the promissory notes to collect the outstanding amount of a short-term loan plus the accrued interest – once it determines that these receivables cannot be collected via the sale and/or appropriation of pledged securities.

26. Sections 22–25 hereof relating to the collection of NBS receivables shall apply accordingly to the collection of NBS receivables in the event of cancellation of the loan agreement in line with Section 22 of the Decision.

27. If the settlement of obligations under the terms hereof falls due on a non-business day, the obligations shall be settled on the first coming business day.

28. The registration and termination of NBS lien, the activation of NBS lien, the transfer of securities from one account to the account of another securities holder, clearing and settlement of obligations and receivables in securities and money, under the securities operations referred to herein – shall be performed in line with the law regulating financial collateral and regulations of the Central Securities Depository.

29. The Annexes from these Guidelines are printed herewith and form an integral part thereof.

Final provisions

30. These Guidelines repeal the Guidelines Implementing the Decision on Terms and Conditions of Granting Short-Term Liquidity Loans against the Collateral of Securities (RS Official Gazette, Nos 100/2010, 3/2011, 18/2011 and 41/2013).

31. These Guidelines are published in the Official Gazette of the Republic of Serbia and enter into force on 31 March 2019.

D. No 9
22 March 2019
Belgrade

Governor
National Bank of Serbia
Dr Jorgovanka Tabaković