

Pursuant to Article 21, paragraph 1 of the Law on the National Bank of Serbia (RS Official Gazette, Nos 72/2003 and 55/2004) and Section 14 of the Decision on Conditions and Manner of Extending Daily Liquidity Loans to Banks against the Collateral of Securities (RS Official Gazette, No 52/2008), the Governor of the National Bank of Serbia issues

GUIDELINES IMPLEMENTING THE DECISION ON THE CONDITIONS AND MANNER OF EXTENDING DAILY LIQUIDITY LOANS TO BANKS AGAINST THE COLLATERAL OF SECURITIES

General provisions

1. These Guidelines define in more detail the conditions and manner of carrying out operations relating to the extension of daily liquidity loans to banks against the collateral of securities (hereinafter: liquidity loan).

2. Operations referred to in Section 1 hereof relate to the following:

1) pledging securities for the extension of liquidity loans, i.e. entry and termination of lien of the National Bank of Serbia (NBS);

2) extension, disbursement and repayment of liquidity loans;

3) collection of due receivables (principal and interest) against a liquidity loan.

3. Operations referred to in Section 2 hereof shall be carried out via the web-platform *Monetary operations of the National Bank of Serbia – lending facilities application* (hereinafter: the web-platform) and by exchanging electronic messages, as determined hereby.

Access to the web-platform and its use are defined in more detail by the user guide.

Monetary payments under operations referred to in Section 2 hereof shall be effected via electronic messages, in line with NBS regulations on payment operations.

3a. To perform operations via the web-platform, a bank shall submit to the NBS the internet protocol address (IP address), the list of persons authorised to access the web-platform in the bank's name and for its account, to submit requests for termination of NBS's lien and requests for the disbursement of liquidity loans, and to perform other activities relating to the extension of liquidity loans, with their signature specimens. A bank shall also submit to the NBS other data defined in the prescribed form (Annex 1) which is integral to these Guidelines.

4. In order to disburse a liquidity loan, the NBS shall conclude a liquidity loan agreement with a bank, pursuant to Section 4 of the Decision on the

Conditions and Manner of Extending Daily Liquidity Loans to Banks against the Collateral of Securities (hereinafter: the Decision).

Pledging securities as collateral (entry and termination of NBS's lien)

5. A bank shall pledge securities by entry of NBS's lien thereon, and such securities shall be held in a special sub-account of the holding securities account of the bank – the account of the securities pledged at the Central Securities Depository and Clearing House (hereinafter: the Central Securities Depository).

The evidence of securities pledged as collateral shall be the certificate by the Central Securities Depository of pledged securities where NBS's lien is entered, this certificate being an integral part of the liquidity loan agreement.

6. A bank shall submit to the NBS via the web-platform the request for termination of NBS's lien (Annex 2), for the purpose of termination of NBS's lien on all or some securities prior to their pledge date.

The lien referred to in paragraph 1 hereof shall terminate on condition a bank has no unsettled obligations towards the NBS in respect of a disbursed liquidity loan. If a bank uses this loan, the remaining pledge of securities shall suffice to ensure the collection of NBS's receivables.

If conditions for termination of the lien referred to in paragraph 2 hereof have been met, the NBS shall send to the Central Securities Depository an electronic message – the notification that conditions have been met for termination of the lien on all or some securities, which shall contain all elements of the order for the transfer of these securities. At the same time, a bank shall via the web-platform have access to the consent for termination of NBS's lien (Annex 3).

Notwithstanding paragraph 1 hereof, if due to technical problems in operation of the web-platform a bank cannot submit the request for termination of NBS's lien in the manner specified in that paragraph, it shall submit the request by email at: mere.mp@nbs.rs, or by telefax at: +381113338204 (if it is not possible to submit the request by email for technical reasons). The request referred to in this paragraph which is submitted by telefax or email must be signed by the bank's authorised person.

The Annexes referred to in this Section shall be integral to these Guidelines.

7. If, on the expiry of the pledge date, a bank has no outstanding liabilities against a disbursed liquidity credit, the NBS shall send to the Central Securities Depository an electronic message – the notification that the requirements for termination of NBS's lien have been met, containing all elements of the securities transfer order.

Disbursement and repayment of liquidity loan

8. For the purpose of disbursing a liquidity loan, a bank shall submit to the NBS via the web-platform the request for the disbursement of a liquidity loan (Annex 4), which is integral to these Guidelines.

The request referred to in paragraph 1 hereof may be submitted only by persons in a bank, authorised to submit the request in the bank's name and for its account and in regard to whom a bank submitted to the NBS the authorisation in the prescribed form (Annex 1).

Notwithstanding paragraph 1 hereof, if due to technical problems in operation of the web-platform a bank cannot submit the request for the disbursement of a liquidity loan in the manner specified in that paragraph, it shall submit the request by email at: mere.mp@nbs.rs, or by telefax at: +381113338204 (if it is not possible to submit the request by email for technical reasons). The request referred to in this paragraph which is submitted by telefax or email must be signed by the bank's authorised person.

9. A bank may submit to the NBS the request for the disbursement of a liquidity loan (Annex 4) by no later than ten minutes before the expiry of the time envisaged for the exchange of payment messages, in line with operating rules which govern real time settlement under gross principle (hereinafter: operating rules).

Within one business day and within the available amount for the disbursement of a liquidity loan and prescribed timeframe, a bank may submit to the NBS several requests referred to in paragraph 1 hereof.

10. If a bank meets the requirements set forth by the Decision, the NBS, based on the submitted request referred to in Section 9 hereof, shall disburse the liquidity loan, as follows:

- 1) as a daylight liquidity loan – *intraday loan* (hereinafter: intraday loan), or
- 2) as an overnight liquidity loan – *overnight credit* (hereinafter: overnight credit).

The NBS shall disburse the liquidity loan (intraday/overnight) by debiting the account of the NBS – liquidity loan account No. 908-88106-82, and crediting the gyro account of the bank.

11. A bank shall repay the intraday loan to the NBS on the same business day, no later than the deadline set forth for exchanging payment messages, in line with operating rules.

If a bank fails to repay the intraday loan pursuant to paragraph 1 hereof, the NBS shall extend automatically to such bank an overnight credit, in the amount of the unrepaid intraday loan.

A bank shall repay the overnight credit, including the appertaining interest, to the NBS on the following business day from the day that such credit was disbursed and by 11.00 a.m. at the latest.

12. A bank shall repay a liquidity loan (intraday/overnight) to the credit of the account of the NBS – liquidity loan account No 908-88106-82, with the credit reference number 6-157000-xxxxxxxxx (identification xxxxxxxxx designating the bank code from the Code Book which banks use when filling out pay orders and which is published on the NBS website) (hereinafter: the Code Book).

If a bank makes payment exceeding the amount of the liquidity loan which the bank is using at the time of such payment, the NBS shall refund the bank for the difference between the amount paid in by the bank and the amount of the liquidity loan being used by the bank by paying such difference to the gyro-account of the bank.

13. The NBS shall calculate and charge regular interest on the amount of the used overnight credit every business day, for each business day and non-business day, pursuant to Section 8 of the Decision, and default interest pursuant to Section 10 of that Decision.

A bank shall pay the amount of regular interest referred to in paragraph 1 hereof, in line with the calculation received from the NBS, to the account of the NBS – revenue/expenditure of the NBS No 980-16-85, with the credit reference number 6-020000-xxxxxxxxx (identification xxxxxxxxx designating the bank code from Code Book).

Collection of receivables under liquidity loans

14. If a bank fails to settle liabilities under overnight credits within the prescribed time period, the NBS shall neither extend further overnight credit to such bank, nor an intraday loan – until the final settlement of all liabilities of the bank under an overnight credit.

If a bank fails to repay the amount of the disbursed overnight credit within the time period referred to in Section 11, paragraph 3 hereof, the NBS shall send to the bank on the same business day a written notice that the bank's liabilities under overnight credit have become due, and that the bank must settle due debts under such credit (principal and interest) on that day, by 4 p.m. at the latest. The NBS shall send a copy of this notice to the Central Securities Depository.

If a bank fails to settle liabilities within the time period referred to in paragraph 2 hereof, the NBS shall collect its receivables on the following business day (principal and default interest) by selling the securities pledged as collateral, and as regards the collection of its receivables under regular interest it shall use the promissory notes referred to in Section 19 hereof.

In the case referred to in paragraph 3 of this Section, the NBS shall order the bank to sell the securities pledged as collateral in its name and for the account of the NBS. The order for such sale shall comprise in particular the data on NBS receivables – the amount of principal, the amount of the calculated default interest, and data on securities held in the account of

securities pledged as collateral of the bank (ISIN, quantity, nominal value).

15. A bank shall, immediately upon receiving the order referred to in Section 14, paragraph 4 hereof, act fully in accordance with the order.

A bank shall act with due care of a good businessman when selling the securities and shall sell such securities at the most favourable price.

A bank shall obtain, prior to selling securities pledged as collateral, a written consent of the NBS regarding the selling price of these securities, or the consent regarding the lowest selling price for which the bank may sell securities pledged as collateral.

16. For the purpose of clearing and settlement of securities and money funds in respect of the sale of securities pledged as collateral, the NBS shall send to the Central Securities Depository the notification that the requirements to activate the lien have been met.

The notification referred to in paragraph 1 hereof, shall contain in particular the data regarding the value (price) of the securities pledged as collateral for which the consent was given, or the data on the lowest selling price (per unit) for securities pledged as collateral.

17. The NBS may, pursuant to Section 10 of the Decision, collect the amount of receivables from outstanding regular interest from the amount of the sold securities pledged as collateral – if it is not possible to collect such interest via promissory notes referred to in Section 19 hereof.

18. The funds earned from the sale of securities pledged as collateral shall be directed by the Central Securities Depository to the money account of the creditor – the NBS, with a simultaneous transfer of the securities pledged as collateral from the account of the securities pledged as collateral of the debtor bank to the owner account of the buyer of such securities.

The amounts that the issuer of pledged securities pays out based on such securities before their sale is effected for the purpose of collecting the NBS's receivables (payment within the due date, payment of part of nominal value, early repurchase, interest payment etc) shall belong to the NBS and shall be transferred to the NBS's money account in line with the agreement referred to in Section 4 of the Decision.

If the amount obtained by selling securities pledged as collateral, or the amount referred to in paragraph 2 of this Section, is larger than the amount of NBS receivables, the NBS shall transfer such surplus immediately to the gyro account of the bank.

19. The NBS shall collect receivables under outstanding regular interest by way of promissory notes, deposited by the bank upon concluding the liquidity loan agreement.

Exceptionally, the NBS may use the promissory notes to collect due receivables (principal and default interest) when it determines that the collection of such receivables may not be effected from selling the securities pledged as

collateral, notably upon expiry of 15 days from the day the sale order regarding securities pledged as collateral referred to in Section 14, paragraph 4 hereof was submitted to the bank.

Transitional and final provisions

20. In case that meeting of liabilities within the meaning of these Guidelines falls due on a day being a non-business day, such liabilities shall be met on the first following business day.

21. The entry and termination of NBS's lien, activation of lien, transfer of securities from one account of the securities holder to another, clearing and settlement of liabilities and receivables in securities and money, under operations with securities referred to in these Guidelines, shall be conducted pursuant to regulations of the Central Securities Depository.

22. These Guidelines shall be published in the RS Official Gazette and shall enter into force on 3 June 2008.

D. No.18
15 May 2008
Belgrade

Governor
National Bank of Serbia

Radovan Jelašić