

Based on Article 14, paragraph 1, items 10 and 11, and Article 38, paragraph 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), the Executive Board of the National Bank of Serbia hereby issues

DECISION
ON TERMS AND MANNER OF GRANTING EMERGENCY
LIQUIDITY ASSISTANCE LOANS TO BANKS

1. This Decision sets out the terms and manner in which the National Bank of Serbia (hereinafter: NBS) may grant an emergency short-term liquidity loan (hereinafter: emergency liquidity assistance loan) to a solvent bank experiencing temporary liquidity problems, as well as the type and quality of collateral against which such loan may be granted.

2. The NBS may grant an emergency liquidity assistance loan to a bank in dinars and/or foreign currency (euros), with a maturity of up to twelve months.

The loan referred to in paragraph 1 hereof may be granted to a bank against a collateral of securities, collateral of foreign exchange (including collateral of allocated foreign currency required reserves), collateral of gold, collateral of the bank's accounts receivable, first-rank mortgage on the bank's titled property free from any third-party lien, guarantee issued by the Republic of Serbia, in accordance with law, in favour of the NBS for the purposes of settlement of bank liabilities under emergency liquidity assistance loans, as well as against other forms of collateral assessed eligible by the NBS.

The amount of an emergency liquidity assistance loan shall not exceed 80% of the value of the collateral from paragraph 2 hereof, based on the assessment of collateral value and the associated risks.

Where in light of current market and monetary developments the NBS assesses that the value of collateral is not sufficient to cover its receivables in respect of the loan from paragraph 1 hereof, it may request that the bank provides additional means of collateral or to repay the corresponding amount of the loan.

The collateral for the amount of the loan under paragraph 1 hereof granted to a bank in foreign currency (euros) may be denominated in foreign currency only.

3. The NBS shall grant emergency liquidity assistance loans to banks provided they have already used all other available sources of liquidity and have adopted an action plan for overcoming temporary liquidity problems.

4. In order to prove that it meets the conditions referred to in Section 3 hereof, a bank shall submit the following documentation:

- analysis of its current condition and reasons for temporary illiquidity, supported by an action plan referred to in Section 3 hereof adopted by the bank's managing board and a projection of its inflows and outflows;
- statement issued by the bank's managing board confirming that all other available sources of liquidity have already been used, and
- other documents as requested by the NBS.

5. In addition to documents listed in Section 4 hereof, a bank shall submit to the NBS an application for emergency liquidity assistance, stating the amount of the loan requested, supported by a decision of the bank's managing board to supply liquidity through an emergency liquidity assistance loan, and shall specify the means of collateral to be pledged and/or property to be mortgaged, and/or submit a draft act whereby the Republic of Serbia issues the guarantee referred to in Section 2, paragraph 2 of this Decision.

6. The NBS Executive Board shall decide, for each bank individually, on the amount of the emergency liquidity assistance loan that a bank may draw on, as well as on its maturity and collateral.

The NBS Executive Board shall make the decision referred to in paragraph 1 hereof based on the assessment of the adequacy of the action plan referred to in Section 3 hereof, monetary effects of granting an emergency liquidity assistance loan and its effects on the stability of the financial system.

7. Based on the decision referred to in Section 6 hereof, the NBS and a bank shall enter into an emergency liquidity assistance loan agreement to regulate their mutual rights and obligations.

The NBS shall grant an emergency liquidity assistance loan to a bank on the basis of the concluded agreement referred to in paragraph 1 hereof, after collateral is established in favour of the NBS, in accordance with the decision referred to in that paragraph.

8. A bank has an obligation to submit to the NBS a liquidity monitoring and action plan implementation report referred to in Section 3 hereof, along with other data important for the discharge of obligations in respect of the granted emergency liquidity assistance loan, at least once in two weeks and upon the NBS request.

9. The NBS is empowered to unilaterally terminate the agreement referred to in Section 7 hereof where a bank, pursuant to this Decision and the agreement, fails to discharge the obligations specified, stops fulfilling the conditions under the agreement, or its financial situation changes in such a manner that it is no longer able to discharge its obligations or discharges them with difficulty.

All current and future liabilities (outstanding interest until the termination of the agreement) shall fall due for payment on the day of termination of the agreement referred to in paragraph 1 hereof.

If a bank fails to discharge all its obligations within the meaning of paragraph 2 hereof on the day of termination of the agreement referred to in paragraph 1 hereof, the provisions relating to activation of the collateral referred to in Section 12 hereof shall apply accordingly to the collection of NBS receivables.

10. On the amount of an emergency liquidity assistance loan granted in dinars, the NBS shall charge interest – at the rate equal to the NBS key policy rate plus 5 percentage points.

On the amount of an emergency liquidity assistance loan granted in foreign currency (euros), the NBS shall charge interest – at the rate equal to the three-month EURIBOR on the value date of interest calculation, plus 5 percentage points.

The NBS shall calculate and charge interest on the amount due but not paid of an emergency liquidity assistance loan at a rate, for the period of default, applicable to loans that have not been repaid within the agreed period and/or loans used contrary to regulations as defined by the decision on interest rates applied by the NBS in the implementation of monetary policy.

11. The NBS shall calculate the interest referred to in Section 10 hereof on a monthly basis and shall collect it by the 8th day of the current month for the preceding month.

As a security for payment of interest referred to in Section 10 hereof, a bank has an obligation to submit to the NBS an appropriate number of signed and certified blank own promissory notes, and a letter of authority to fill them in.

12. If a bank fails to repay an emergency liquidity assistance loan by the deadline specified in the agreement referred to in Section 7 hereof, the NBS shall collect payment for the outstanding amount of such loan, inclusive of interest and other costs, by activating collateral and/or mortgage, and/or other means of collateral.

13. The Decision on Terms and Conditions of Extending Liquidity Loans to Banks (RS Official Gazette, Nos 31/2012 and 98/2012) shall cease to have effect on the day this Decision enters into force.

14. This Decision shall enter into force on the day following its publication in the RS Official Gazette.

NBS Executive Board No 63
9 July 2015

Belgrade

Chairperson
Executive Board of the National Bank of
Serbia
Governor
National Bank of Serbia

dr Jorgovanka Tabaković