

Unofficial consolidated text

MNB Decree 10/2005. (VI. 11.) of the Governor of the Magyar Nemzeti Bank

on the calculation, the method of allocation and placement of minimum reserves

Pursuant to the authorisation defined under Article 60 (1) c) of Act LVIII of 2001 on the Magyar Nemzeti Bank, I hereby decree the following:

Scope

Article 1 This Decree shall apply to

(a) credit institutions having operating licence, including Hungarian branches of credit institutions registered in those countries that are not parties to the European Economic Area Agreement,

(b) Hungarian branches of credit institutions having operating licence and registered in those (other) countries that are parties to the European Economic Area Agreement (for the purposes of this Decree, the entities defined in points a) and b) of this Article are hereinafter referred to as ‘credit institutions subject to reserve requirements’).

Minimum reserve requirements

Article 2 (1) Credit institutions subject to reserve requirements are required to hold minimum reserves with the central bank (hereinafter: ‘minimum reserves’) in respect of their liabilities as defined in paragraph (2) of this Article, excluding liabilities referred to in paragraph (3) of this Article (hereinafter: ‘reserve base’).

(2) Reservable liabilities:

(a) deposits and loans received,

(b) debt securities,

(c) repos, including hold-in-custody and delivery repos, sell/buy-back agreements on securities and gold, as well as securities lending and gold lending against cash collateral (hereinafter: repos).

(3) The following liabilities shall be excluded from the reserve base:

(a) liabilities owed to other credit institutions subject to reserve requirements falling within the scope of this Decree,

(b) the outstanding amounts of loans from the Magyar Nemzeti Bank (hereinafter: the ‘MNB’),

(c) liabilities arising from reverse (placement) transactions entered into with the MNB.

Article 3 (1) The reserve ratio shall be defined by the decree of the MNB on the minimum reserve ratio, according to the following liability categories within the reserve base:

(a) deposits received with remaining maturity over two years at the time they are entered into the balance sheet of a credit institution subject to reserve requirements, as specified in the decree of the MNB on the scope of information to be supplied for the central bank’s information system and on the method and deadline of data supply (hereinafter: data supply decree),

(b) loans received with remaining maturity over two years at the time they are entered into the balance sheet of a credit institution subject to reserve requirements, as defined in the data

supply decree,

(c) debt securities issued with agreed maturity over two years,

(d) repos,

(e) all other liabilities included in the reserve base, which are not specified in points a)–d) of this paragraph.

(2) The amount of minimum reserves shall be equal to the product of outstanding liabilities included in the reserve base of a credit institution subject to reserve requirements, as defined in paragraph (3) of this Article, and the appropriate reserve ratio, as defined in the decree of the MNB on the minimum reserve ratio.

(3) The MNB shall calculate the reserve base of a credit institution subject to reserve requirements on the basis of the stock data on the last calendar day of the reporting period, provided in the supervisory balance sheet and the profit and loss statement (hereinafter: supervisory balance sheet data), excluding data for branches abroad, as stipulated in the data supply decree. If a credit institution subject to reserve requirements fails to provide the supervisory balance sheet data, the MNB shall estimate its reserve base, taking into account supervisory balance sheet data previously provided by the credit institution subject to reserve requirements as well as other available information.

(4) The reporting period shall mean the period between the first and last calendar day of the month.

(5) The MNB shall calculate the amount of minimum reserves, as specified in paragraph (2), of a credit institution subject to reserve requirements, and shall notify thereof the credit institution subject to reserve requirements in writing at least five MNB business days prior to the beginning of the maintenance period as defined in Article 4 (1). The credit institution subject to reserve requirements may request in writing on one occasion, by the second MNB business day prior to the beginning of the maintenance period as defined in Article 4 (1), that the MNB modify the determined amount of minimum reserves. In the event of a request for modification, the MNB shall determine the final amount of minimum reserves of the credit institution subject to reserve requirements, and shall notify thereof in writing the credit institution subject to reserve requirements at the latest on the MNB business day prior to the beginning of the maintenance period as defined in Article 4 (1). If a request for modification is not submitted to the MNB by the second MNB business day prior to the beginning of the maintenance period as defined in Article 4 (1), then the MNB shall consider the originally determined amount of minimum reserves as the final amount of minimum reserves of the credit institution subject to reserve requirements. If a credit institution subject to reserve requirements modifies the supervisory data for the relevant reporting period after the final amount of minimum reserves has been set, the final amount of minimum reserves of the credit institution subject to reserve requirements may not be modified.

Article 4 (1) Credit institutions subject to reserve requirements shall comply with the minimum reserve requirements on a lagged basis, on average over the second period (maintenance period) following the period for which the minimum reserves has been calculated (computation period). When applying the averaging provision, the number of calendar days within the maintenance period shall be taken into account.

(2) Applying the averaging provision as defined in paragraph (1), credit institutions subject to reserve requirements shall satisfy reserve requirements once a month, on the last calendar day of the maintenance period.

Article 5 (1) Credit institutions subject to reserve requirements shall comply with the minimum reserve requirements by holding the amount of minimum reserves in the following instruments, as calculated in accordance with Article 3 (2):

a) on the forint business account kept with the MNB,
b) on the forint business account, kept by a credit institution subject to reserve requirements with a forint business account with the MNB (hereinafter referred to as ‘correspondent credit institution subject to reserve requirements’), of a credit institution subject to reserve requirements having no forint business account with the MNB (hereinafter referred to as ‘indirect participant credit institution subject to reserve requirements’).

(2) The balance on the forint business account with the MNB of a correspondent credit institution subject to reserve requirements shall also contain the minimum reserves of the indirect participant credit institution subject to reserve requirements. The balance on the forint business account of the correspondent bank subject to reserve requirements with the MNB shall be deemed as primarily complying the reserve requirement of an indirect participant credit institution subject to reserve requirements holding its minimum reserves on its forint business account with the correspondent credit institution subject to reserve requirements.

5/A (1) Credit institution subject to reserve requirements shall hold on a continuous basis a forint business account with the MNB or a forint business account with a correspondent credit institution subject to reserve requirements commencing from the grant of an operating licence, or, from their establishment in the case of a branch offices as stipulated in Article 1 b), irrespective of whether it has reservable liabilities; furthermore, in the latter case, a tripartite agreement concluded with a correspondent credit institution subject to reserve requirements and the MNB, which allows to comply the provisions of this Decree, in accordance with the account management practices of the indirect participant credit institution subject to reserve requirements (hereinafter: agreement).

(2) Indirect participant credit institutions subject to reserve requirements shall ensure that an agreement is concluded in such manner as to have an agreement in effect as long as they do not have a forint business account with the MNB. If the forint business account with the MNB of a credit institution subject to reserve requirements is terminated, it shall ensure that an agreement is put into effect at the latest by the time its forint business account with the MNB is terminated.

(3) If indirect participant credit institutions subject to reserve requirements hold several forint business accounts that are not kept with the MNB, the reserve requirement may only be held on one forint business account specified in the agreement.

(4) The agreement shall contain a provision that the indirect participant credit institution subject to reserve requirements gives authorisation to the correspondent credit institution subject to reserve requirement to debit all its business accounts held with the correspondent credit institution subject to reserve requirements, in favour of the MNB, in order to MNB collect via a debit order its outstanding receivables vis-à-vis the indirect participant credit institution subject to reserve requirements arising from this Decree. The authorisation may revoke only with the consent of the MNB.

(5) The dates of entry into force and termination of the agreement shall be determined in such manner as to enable the credit institution subject to reserve requirements to satisfy the obligations stipulated in this Decree on a continuous basis. The dates of entry into effect and termination of the agreement may not fall within a maintenance period.

Article 6 (1) Holdings of minimum reserves are remunerated by the MNB according to the following formula:

$$K_t = \frac{A_t \cdot n_t \cdot r_t}{100 \cdot 360}$$

$$r_t = \sum_{j=1}^{n_t} \frac{i_j}{n_t}$$

Where:

K_t = the amount of interest remunerated on holdings of minimum reserves for maintenance period t,

A_t = average daily holdings of minimum reserves for maintenance period t, weighted according to the number of calendar days (with regard to the balances recognised in daily account statements), but maximum the final amount of minimum reserves of maintenance period t,

n_t = number of calendar days in maintenance period t,

r_t = interest rate remunerated on holdings of minimum reserves in maintenance period t,

$j = j^{\text{th}}$ calendar day of maintenance period t,

i_j = interest rate remunerated on the j^{th} calendar day of maintenance period t.

(2) Interest remunerated shall be paid by the MNB to credit institutions subject to reserve requirements on the second MNB business day of the month following the end of the maintenance period.

Article 7 (1) The MNB shall inspect of the amount of minimum reserves held by credit institution subject to reserve requirements.

(2)

(3) If the MNB finds that the monthly average in the maintenance period of the daily balances on the forint business account of a credit institution subject to reserve requirements falls short of the final amount of minimum reserves, the MNB may, within 30 days, debit the forint business account of the credit institution subject to reserve requirements with the MNB with the amount based upon the difference and calculated by the following formula, simultaneously notifying the credit institution subject to reserve requirements of the debit:

$$B_t = \frac{E_t \cdot n_t \cdot p_t}{100 \cdot 360}$$

$$p_t = \sum_{j=1}^{n_t} \frac{k_j}{n_t}$$

Where:

B_t = the amount of debit applicable in respect of maintenance period t,

E_t = the arithmetic average, calculated taking into account calendar day variations, of the deficiency of reserves data (balances recorded on daily statements) against the final amount of minimum reserves in maintenance period t,

n_t = number of calendar days in maintenance period t,

P_t = penalty interest rate applied to determine the amount of debit in maintenance period t,

$j = j^{\text{th}}$ calendar day of maintenance period,

k_j = penalty interest rate, defined and published by the MNB, on the j^{th} day of the maintenance period.

(4)–(5)

(6) If the debit specified in paragraphs (2)–(5) of this Article cannot be effected due to insufficient funds on the forint business account of a credit institution subject to reserve requirements with the MNB, the MNB will extend a loan for the necessary amount to the credit institution subject to reserve requirements, without its separate request, but simultaneously notifying it of such action. Obligation for repayment of the loan falls due at

the time the loan is originated.

(7) The interest rate on the loan specified in paragraph (6) of this Article is equal to twice the prevailing central bank base rate. The MNB shall not charge default interest on such loan.

(8) The provisions of this Article shall be applied to indirect participant credit institutions subject to reserve requirements, in accordance with their account management practices.

Article 8 In case the liquidity situation of a credit institution subject to reserve requirements does not enable it to satisfy its reserve requirements, the credit institution subject to reserve requirements shall notify, in writing, the MNB thereof; in such a case, and at the request of the credit institution subject to reserve requirements, the MNB may grant respite to the credit institution subject to reserve requirements, partially or fully, for holding the amount of minimum reserves for a definite period of time.

Article 9 (1) For the purposes of this Decree, no transaction aimed at circumventing, either in part, or wholly, the rules governing reserve requirements specified in this Decree shall be regarded as a standard manner of exercising rights. In such cases, the MNB shall, in accordance with the rules governing reserve requirements as laid down in this Decree, establish the amount of minimum reserves to be held, and apply the legal measures under Article 7 (3)–(7).

(2) For the purpose of applying the provisions of this Decree, ‘MNB business day’ shall mean any day when the MNB is open for business to conduct monetary policy operations.

Final provisions

Article 10 (1) This Decree shall enter into force on 1 July 2005.

(2) Simultaneously with this Decree entering into force Decree 2/2003 (PK. 14.) of the MNB on Minimum Reserves shall be repealed.