

MNB Decree 25/2005. (XII. 12.)
Of the Governor of the Magyar Nemzeti Bank

**Amending MNB Decree 10/2005. (VI. 11.) on the Calculation, the Method of Allocation
and Placement of Minimum Reserves**

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

Provisions amended by this Decree

Article 1 (1) Article 3 (1) of MNB Decree 10/2005. (VI. 11.) on the Calculation, the Method of Allocation and Placement of Minimum Reserves (hereinafter referred to as the “Decree”) is replaced by the following:

„(1) The reserve ratio shall be defined by the MNB decree on the required reserve ratio, in accordance with the following categories of the liabilities included in the reserve base:

a) deposits received with remaining maturity over two years at the time of entering into the balance sheet of the credit institution required to hold reserves, as specified in the MNB decree 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 of entering into the balance sheet of the credit institution required to hold reserves, as specified 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) Article 3 (2) of the Decree is replaced by the following:

„(2) The amount of required reserves shall be equal to the product of the stock, as defined in paragraph (3) of this Article, of liabilities included in the reserve base of the credit institution required to hold reserves and the appropriate reserve ratio, as defined in the MNB decree on the required reserve ratio.”

(3) Article 3 (3) of the Decree is replaced by the following:

„(3) MNB shall calculate the reserve base of the credit institution required to hold reserves, pursuant to the stock data on the last calendar day of the reporting period, given in the data supply for the supervisory balance sheet and the profit and loss statement, (hereinafter: Supervisory balance sheet data) excluding data for branches abroad, as specified in the data supply decree. If the credit institution required to hold reserves fails to provide the Supervisory balance sheet data, MNB shall estimate its reserve base, taking into consideration Supervisory balance sheet data provided earlier by the credit institution required to hold reserves as well as other available information.”

(4) The following paragraph (5) is added to Article 3 of the Decree:

„(5) MNB shall calculate the reserve requirement amount, as specified in paragraph (2), of a credit institution required to hold reserves, and shall notify the credit institution required to hold reserves in writing at least five MNB business days before the beginning of the maintenance period as specified in Article 4 (1). The credit institution required to hold reserves may request in writing on one occasion, up to the second MNB business day before the beginning of the maintenance period as specified in Article 4 (1), that MNB modify the amount of the determined reserve requirement. In the event of a request for modification, MNB shall determine the final reserve requirement amount of the credit institution required to hold reserves, and shall notify in writing, the credit institution required to hold reserves, on the MNB business day before the beginning of the maintenance period as specified in Article 4 (1), at the latest. If the request for modification is not submitted to MNB up to the second MNB business day before the beginning of the maintenance period as specified in Article 4 (1), then MNB shall consider the originally determined reserve requirement amount as the final reserve requirement amount of the credit institution required to hold reserves. The final reserve requirement amount of the credit institution required to hold reserves cannot be modified either by the inspection of MNB pursuant to Article 7 (1), or the rectification of the credit institution required to hold reserves pursuant to Article 7 (2).”

Article 2 Article 6 of the Decree is replaced by the following:

„**Article 6** (1) Holdings of required 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 required reserves for maintenance period t ,

A_t = average daily holdings of required 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 reserve requirement amount of maintenance period t ,

n_t = number of calendar days in maintenance period t ,

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

j = j 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 the credit institutions required to hold reserves on the second MNB business day of the month following the end of the maintenance period.”

Article 3 Article 7 of the Decree is replaced by the following:

„**Article 7** (1) The MNB may perform on-site and off-site inspections of the amount of the required reserves held by the credit institution required to hold reserves, as well as of the

Supervisory balance sheet data provided by the credit institution required to hold reserves for the calculation of the required reserves.

(2) After the final reserve requirement amount has been determined, the credit institution required to hold reserves may rectify the Supervisory balance sheet data by notifying, in writing, the MNB of the rectification, provided that the MNB itself has not yet recognised the difference. In cases when the final reserve requirement amount of the credit institution required to hold reserves falls short of the amount of the reserve requirements specified under Article 3 (2) according to the rectification, the MNB may, within 30 days after the notification, debit the current account of the credit institution required to hold reserves kept with the MNB with the amount of the difference and simultaneously informs the credit institution required to hold reserves of the debit. The MNB dispenses from the debit only if the credit institution required to hold reserves itself is not responsible for the incorrect data supply. The MNB holds the amount of debit on a separate non-interest-bearing reserve account for a period of 30 days starting from the date of debit.

(3) If, on the occasion of the inspection mentioned in paragraph (1) of this Article, the MNB ascertains that the average daily balance of the current account of credit institution required to hold reserves in the maintenance period falls short of the final reserve requirement amount, or the final amount falls short of the amount specified in Article 3 (2), due to incorrect data supply by the credit institution required to hold reserves, the MNB may debit the account of the credit institution required to hold reserves kept with the MNB with 1.5 times the amount of reserve deficit, within 30 days of ascertaining the exact amount of reserve deficit. The MNB informs the credit institution required to hold reserves of the debit simultaneously. The MNB holds the amount of the debit on a separate non-interest-bearing reserve account for 30 days starting from the date of debit.

(4) With regard to the liquidity situation of the credit institution required to hold reserves, the MNB has the right to hold the amount by which it debited the current account of the credit institution required to hold reserves under paragraph (2) or (3) of this Article, broken into tranches, on separated non-interest-bearing reserve account for several successive periods of 30 days.

(5) If, on the occasion of the inspection mentioned in paragraph (1) of this Article or the rectification of the credit institution required to hold reserves under paragraph (2) of this Article, the MNB ascertains that the final reserve requirement amount of the credit institution required to hold reserves is in excess of the amount specified in Article 3 (2) due to incorrect data supply by the credit institution required to hold reserves, the MNB may debit the current account of the credit institution required to hold reserves kept with the MNB by the remuneration paid on the difference, on the day of the first interest payment specified in Article 6 (2) after becoming aware of the exact amount of the difference or after the rectification being reported, of which the MNB simultaneously informs the credit institution required to hold reserves.

(6) If the debit specified in paragraph (2)-(5) of this Article cannot be effected due to insufficient funds on the current account kept with the MNB by the credit institution required to hold reserves, MNB will extend a loan for the necessary amount to the credit institution required to hold reserves, without its separate request, but simultaneously informing it of MNB's action. Amortisation of the loan falls due simultaneously to the allocation of the loan.

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

(8) Provisions of this article shall be applied to the indirectly connected credit institutions in accordance with their special account management characteristics.”

Article 4 The following paragraph (2) is added to Article 9 of the Decree. Simultaneously, the text of Article 9 changes to paragraph (1):

„(2) For the purpose of applying the provisions of this Decree, “*MNB business day*” shall mean any day when MNB is open for business to perform operations related to its monetary policy.”

Final provision

Article 5 (1) Article (1)-(2) and Article (4)-(5) of this Decree shall enter into force on 1 February 2006.

(2) Article (3) of this Decree shall enter into force on 1 March 2006.

Zsigmond Járαι
Governor of the Magyar Nemzeti Bank