

## MNB Decree No 10/2005 (VI. 11.)

### on the Calculation, Method of Allocation and Placement of Required Reserves

Acting within my power under Article 60(1)c) of Act LVIII of 2001 on the Magyar Nemzeti Bank I hereby decree as follows:

#### *Scope*

**Article 1** This decree shall apply to

- a) credit institutions holding an operating licence, including also the Hungarian branch office of credit institutions with registered office in a state that is not a party to the agreement on the European Economic Area,
- b) Hungarian branch offices of credit institutions with registered office and operating licence in (other) member states that are parties to the agreement on the European Economic Area [for the purposes of this decree, the entities defined in points a)-b) hereof: credit institutions subject to reserve requirements].

#### *Required reserves*

**Article 2** (1) Credit institutions subject to reserve requirements shall hold required reserves in respect of their liabilities defined in paragraph (2) of this Article (hereinafter: reserve base), excluding liabilities mentioned in paragraph (3) of this Article.

(2) Liabilities subject to reserve requirements:

- a) deposits and loans taken,
- b) debt securities,
- c) repos, including hold-in-custody and delivery repos, sell/buy-back transactions in securities/gold and securities/gold lending in exchange of cash (hereinafter: repos).

(2) The following liabilities shall not be subject to reserve requirements:

- a) funds from other credit institutions subject to reserve requirements, falling within this decree,
- b) loans outstanding, granted by the Magyar Nemzeti Bank (hereinafter: MNB),
- c) funds from reverse transactions concluded with the MNB.

**Article 3** (1)<sup>1</sup> The rate of the required reserves is defined by the MNB Decree on the required reserve ratio (hereinafter: Reserve Ratio Decree), in accordance with the following categories of liabilities included in the reserve base:

- a) <sup>2</sup> deposits, the maturity of which at the time of appearing in the accounting records of the credit institution subject to reserve requirements exceeds two years based on the MNB Decree on the obligations to report data to the central bank's information system primarily to enable the Magyar Nemzeti Bank to carry out its basic duties (hereinafter: data supply decree),
- b) loans taken, the maturity of which at the time of appearing in the accounting records of the credit institution subject to reserve requirements exceeds two years based on the data supply decree,
- c) debt securities, provided that the maturity of the securities at the time of the issuance exceeds 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)<sup>3</sup> The amount of the required reserves shall be the product of the stock of liabilities included in the reserve base of the credit institution subject to reserve requirements, specified in accordance with paragraph (3) and the reserve ratio specified in the Reserve Ratio Decree.

(3)<sup>4</sup> The MNB shall establish the reserve base of the credit institution subject to reserve requirements based on the stock data on the last calendar day of the reporting period shown in the data supply entitled 'Statistical balance sheet and profit and loss statement of credit institutions' (MNB identification code: M01) – not including the data of non-resident branches – (hereinafter: Statistical balance sheet data). Should the credit institution subject to reserve requirements fail to provide the Statistical balance sheet data, the MNB shall establish its reserve base by estimation, considering the Statistical balance sheet data provided earlier by the credit institution subject to reserve requirements and other available information.

(4) Reporting period shall mean the period between the first and the last calendar days of the month.

(5)<sup>5</sup> The preliminary amount of the required reserves, as specified in paragraph (2), of the credit institution subject to reserve

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<sup>1</sup> Article 3(1) is the wording specified by Article 1(1) of MNB Decree No 25/2005 (XII. 12.) amended in accordance with point a) of Article 6 of MNB Decree No 6/2023 (III. 8.).

<sup>2</sup> Article 3(1)a) is the wording specified by Article 4(2)a) of MNB Decree No 50/2016 (XII. 12.), amended in accordance with Article 4(2) of MNB Decree No 27/2017 (XI. 21.).

<sup>3</sup> Article 3(2) is the wording of point b) of Article 3 of MNB Decree No 36/2022 (IX. 15.) stipulated by Article 1(2) of MNB Decree No 25/2005. (XII. 12.) amended in accordance with point b) of Article 6 of MNB Decree No 6/2023 (III. 8.).

<sup>4</sup> Article 3(3) is the wording specified by Article 1(3) of MNB Decree No 25/2005 (XII. 12.), amended in accordance with Article 4(2)b) of MNB Decree No 50/2016 (XII. 12.).

<sup>5</sup> Article 3(5) has been enacted by Article 1(4) of MNB Decree No 25/2005 (XII. 12.), and it has the wording specified by Article 1(1) of MNB Decree No 43/2018 (XI. 21.).

requirements, shall be determined by the MNB and it shall notify the credit institution subject to reserve requirements in writing at least five MNB working days before the start of the maintenance period specified in Article 4(1). If until the second MNB working day preceding the start of the maintenance period specified in Article 4(1) the credit institution subject to reserve requirements modifies the Statistical balance sheet data in a way that the required reserves amount calculated from those data differs from the preliminary required reserve amount, it may request the MNB in writing on one occasion to modify the preliminary required reserve amount (request for modification) Based on the available Statistical balance sheet data, the MNB shall determine the final amount of the required reserves of the credit institution subject to reserve requirements by the end of the second MNB working day preceding the start of the maintenance period specified in Article 4(1), and if this amount differs from the preliminary amount of the required reserves, the MNB shall notify the credit institution subject to reserve requirements on the final amount in writing by the MNB working day preceding the start of the maintenance period specified in Article 4(1), at the latest. Should the credit institution subject to reserve requirements amend the Statistical balance sheet data applicable to the respective reporting period after determining the final amount of the required reserves of the credit institution subject to reserve requirements, it shall have no effect on the final amount of its required reserves.

**Article 4<sup>6</sup> (1)<sup>7</sup>** Credit institutions subject to reserve requirements shall hold required reserves in the amount calculated at the lowest minimum reserve ratio (the minimum level of required reserves) in the Reserve Ratio Decree for the liability category specified in Article 3(1)e) on each calendar day of the second reference period following the reference period on which the calculation of required reserves was based (hereinafter: maintenance period).

(2) The credit institution subject to reserve requirements shall comply – in addition to the provisions of paragraph (1) – with its required reserves obligation calculated at the required reserve ratio applicable to the respective quarter using averages for the calendar days of the maintenance period, once a month on the last calendar day of the maintenance period.

**Article 5<sup>8</sup> (1)<sup>9</sup>** The credit institution subject to reserve requirements shall comply with the reserve requirements by holding the required reserves amount calculated in accordance with Article 3(2) in the following instruments:

a) on its forint payment account kept by the MNB,

b) credit institutions subject to reserve requirements with no forint payment account kept by the MNB (hereinafter: respondent credit institution subject to reserve requirements) on their forint payment account kept by a credit institution subject to reserve requirements having a forint payment account kept by the MNB (hereinafter: correspondent credit institution subject to reserve requirements),

c)<sup>10</sup> of the balance of the pool account, kept by the MNB, serving as cover for the execution of instant payments, maximum the ownership share due to the credit institution subject to reserve requirements (hereinafter: sub-account balance).

(2) The balance of the forint payment account of the correspondent credit institution subject to reserve requirements, kept by the MNB, shall also include the required reserves of the respondent credit institution subject to reserve requirements. Of the balance of the forint payment account kept by the MNB belonging to the correspondent credit institution subject to reserve requirements, the MNB shall primarily regard the required reserves of the respondent credit institution placed on the forint payment account kept by the correspondent credit institution subject to reserve requirements as fulfilled.

(3)<sup>11</sup> If the credit institution subject to reserve requirements wishes to fulfil its required reserves obligation in accordance with point c) of paragraph (1), it shall make a declaration in the form and by the time prescribed in the business terms and conditions applicable to the pool account kept by the MNB that of the balance of the sub-account, calculated for 24 hours 00.000 minutes of the respective calendar day (hereinafter: midnight balance) what amount it wishes to be taken into consideration as the fulfilment of the reserve requirements applicable to that calendar day (hereinafter: declaration). If the required reserves amount specified in the declaration exceeds the midnight balance, the MNB shall consider the midnight balance as the fulfilment of the reserve requirements. If the declaration for any calendar day is not received at all or received late by the MNB, the balance of the sub-account on the respective day shall not be taken into consideration for the purposes of the fulfilment of the reserve requirements.

**Article 5/A<sup>12</sup> (1)<sup>13</sup>** The credit institution subject to reserve requirements shall, from the date of obtaining its operating licence – or in the case of branch offices mentioned in point b) of Article 1, from the date of the registration – continuously hold a forint payment account with the MNB or with a correspondent credit institution subject to reserve requirements, irrespective of whether or not it has any liabilities subject to reserve requirements, and – in the latter case – it shall have a trilateral agreement with the correspondent credit institution subject to reserve requirements and with the MNB, which facilitates compliance with the provisions of this decree in accordance with the special features applicable to the keeping of the respondent credit institution's payment account (hereinafter: agreement).

(2) The respondent credit institution subject to reserve requirements shall see to concluding the agreement in a way that ensures that it continuously has a valid agreement until such time as it opens a forint payment account with the MNB. If the forint payment account, kept by the MNB, of the credit institution subject to reserve requirements is terminated, it shall ensure that the agreement enters into force simultaneously with the termination of its forint payment account kept by the MNB, at the latest.

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<sup>6</sup> Article 4 is the wording specified by Article 1 of MNB Decree No 36/2022 (IX. 15.).

<sup>7</sup> Article 4(1) is the wording amended in accordance with point c) of Article 6 of MNB Decree No 6/2023 (III. 8.).

<sup>8</sup> Article 5 is the wording specified by Article 1 of MNB Decree No 16/2009 (VI. 11.).

<sup>9</sup> The opening passage of Article 5(1) is the wording amended in accordance with point c) of Article 3 of MNB Decree No 36/2022 (IX. 15.).

<sup>10</sup> Article 5(1)c) has been enacted by Article 1(2) of MNB Decree No 43/2018 (XI. 21.).

<sup>11</sup> Article 5(3) has been enacted by Article 1(3) of MNB Decree No 43/2018 (XI. 21.).

<sup>12</sup> Article 5/A has been enacted by Article 2 of MNB Decree No 16/2009 (VI. 11.).

<sup>13</sup> ARTICLE 5/A (1) IS point d) of Article 3 of MNB Decree No 36/2022 (IX. 15.) amended in accordance with point d) of Article 6 of MNB Decree No 6/2023 (III. 8.).

(3) If the respondent credit institution subject to reserve requirements has several forint payment accounts – kept by institutions other than the MNB – the reserve requirements can be fulfilled only on one forint payment account, specified in the agreement.

(4)<sup>14</sup> It is a mandatory content element of the agreement that the respondent credit institution provides the MNB with an authorisation to debit all of the payment accounts kept by it for the respondent credit institution subject to reserve requirements to collect the receivables arising from this decree from the respondent credit institution subject to reserve requirements. The cancellation of the authorisation shall be subject to approval by the MNB.

(5) The start and end date of the validity of the agreement shall be specified in a way that ensures the continuous fulfilment of the obligations stipulated herein. The validity of the agreement shall not start and terminate within the maintenance period.

#### Article 6<sup>15</sup>

(2) The MNB shall pay the interest payable on the required reserves to the credit institution subject to reserve requirements on the 2nd MNB working day of the month following the maintenance period.

**Article 7<sup>16</sup>** (1) The MNB verifies whether the credit institution subject to reserve requirements complies with the reserve requirements.

(2)<sup>17</sup> If the MNB establishes that the credit institution subject to reserve requirements failed to hold on each calendar day of the maintenance period the minimum level of required reserves in the amount specified in Article 4(1), the MNB may, within 30 days after establishing this fact, – simultaneously notifying the credit institution subject to reserve requirements – debit the forint settlement account of the credit institution subject to reserve requirements with the amount calculated using the following formula based on the difference established:

$$BK_t = \sum_{j=1}^{n_t} b_j$$

$$b_j = \frac{e_j \times k_j}{100 \times 360}$$

Where:

$BK_t$  = the amount to be debited to the account upon failure to comply with the reserve requirements in maintenance period  $t$ ,

$n_t$  = number of calendar days in maintenance period  $t$ ,

$j$  = day  $j$  of the maintenance period

$b_j$  = the debit amount applicable to day  $j$  of the maintenance period,

$e_j$  = on each calendar day of maintenance period  $t$ , the shortfall of the reserve holding data [settled account balances on the daily account statement and the amount calculated in accordance with Article 5(3)] compared to the amount of the minimum level of required reserves calculated in accordance with the lowest minimum reserve ratio specified in the Reserve Ratio Decree for the liability category under Article 3(1)e),

$k_j$  = default interest rate corresponding to twice the prevailing central bank base rate on the day of the shortfall.

(3) If the MNB establishes that the average daily reserve holding data of a credit institution subject to reserve requirements calculated in accordance with Article 4(2) for the maintenance period falls short of the amount calculated at the relevant reserve ratio of the required reserves, the MNB may, within 30 days of establishing this fact, and simultaneously informing the credit institution subject to reserve requirements, debit the forint settlement account of the credit institution subject to reserve requirements held with the MNB with the amount determined by the following formula, based on the difference established:

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

<sup>14</sup> ARTICLE 5/A (4) IS THE WORDING STIPULATED BY Article 53(1) of MNB Decree No 18/2009 (VIII. 6.).

<sup>15</sup> Article 6 is the wording stipulated by Article 2 of MNB Decree No 36/2022 (IX. 15.).

<sup>16</sup> Article 7 is the wording stipulated by Article 2 of MNB Decree No 36/2022 (IX. 15.).

<sup>17</sup> Article 7(2) is the wording amended in accordance with point e) of Article 6 of MNB Decree No 6/2023 (III. 8.).

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

Where:

$B_t$  = the amount to be debited to the account upon failure to comply with the reserve requirements in maintenance period  $t$ ,

$E_t$  = the shortfall in the arithmetic average of the reserve holding data [settled account balances on the daily account statement and the amount calculated in accordance with Article 5(3)], calculated based on calendar days in maintenance period  $t$ , compared to the amount of the required reserves calculated at the relevant reserve ratio in accordance with Article 4(2),

$n_t$  = number of calendar days in maintenance period  $t$ ,

$p_t$  = default interest rate used for calculating the debit amount in maintenance period  $t$ ,

$j$  = day  $j$  of the maintenance period

$k_j$  = default interest rate corresponding to twice the prevailing central bank base rate on day  $j$  of the maintenance period.

(4) If there are no sufficient funds on the forint settlement account of the credit institution subject to reserve requirements held with the MNB for the debit entry under paragraph (3), the MNB shall grant a loan in the required amount to the credit institution subject to reserve requirements, without its separate request, but subject to simultaneous notification. The repayment of this loan shall become due simultaneously with the disbursement.

(5) The interest rate on the loan specified in paragraph (4) shall be twice the prevailing central bank base rate. MNB shall charge no default interest on this loan.

(6) The provisions of this article shall apply to respondent credit institutions subject to reserve requirements in accordance with their special account management characteristics.

**Article 8<sup>18</sup>** If the liquidity situation of the credit institution subject to reserve requirements prevents it from complying with the reserve requirements, it shall notify the MNB to this effect in writing; in this case, the MNB – based on the request of the credit institution subject to reserve requirements – may provide a respite for a specific period for a part or the whole of the required reserve.

**Article 9 (1)<sup>19</sup>** For the purposes of this decree, a legal transaction intended to circumvent, in whole or in part, the rules applicable to the holding of required reserves specified in this decree shall not qualify as proper application of law. In such cases the MNB shall determine the required reserves amount to be fulfilled in accordance with the reserve requirements specified in this decree and apply the legal consequences stipulated in Article 7 (3)-(7).

(2)<sup>20</sup> For the purposes of this decree ‘MNB working day’ shall mean all days when the MNB is open for pursuing its monetary policy operations.

#### *Closing provisions*

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

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**Article 11<sup>22</sup>**

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<sup>18</sup> Article 8 is the wording of point e) of Article 2 of MNB Decree No 43/2018 (XI. 21.) amended in accordance with point e) of Article 3 of MNB Decree No 36/2022 (IX. 15.).

<sup>19</sup> Article 9(1) is the wording amended in accordance with point f) of Article 2 of MNB Decree No 43/2018 (XI. 21.).

<sup>20</sup> Article 9(2) has been enacted by Article 4 of MNB Decree No 25/2005 (XII. 12.) simultaneously changing the designation of the original text of the Article to paragraph (1).

<sup>21</sup> Article 10(2) has been repealed by Article 3 of MNB Decree No 43/2018. (XI. 21.).

<sup>22</sup> Article 11 has been enacted by Article 4(1) of MNB Decree 50/2016 (XII. 12.) and repealed by Article 3 of MNB Decree No 43/2018 (XI. 21.).