

DECISION
of the National Bank of Slovakia

No 6/2003

of 12 December 2003

**on conditions and procedures for the provision of intraday credits to
participants in the Slovak Interbank Payment System**

In accordance with Article 6 paragraph 2 letter g) and Article 18 of Act of the National Council of the Slovak Republic No 566/1992 Coll. on the National Bank of Slovakia as amended by Act No 149/2001 Coll., the National Bank of Slovakia has passed the following Decision:

PART ONE INTRODUCTORY PROVISIONS

Article 1 Subject of the Decision

(1) This Decision stipulates conditions and procedures for the provision of loans to participants in the Slovak Interbank Payment System (hereinafter referred to as 'SIPS') for the purposes of bridging time mismatches between payments received and sent.

(2) Loans within the meaning of Paragraph 1 shall be granted by the National Bank of Slovakia (hereinafter referred to as 'NBS') in the form of permitted account overdrafts (hereinafter referred to as 'intraday credits') to those participants in the SIPS that are required to maintain minimum reserves¹.

PART TWO CONDITIONS AND PROCEDURES FOR DRAWING INTRADAY CREDITS

Article 2 Conditions for the Provision of Intraday Credits

(1) An intraday credit shall be repayable within a single operating day of the SIPS and bear no interest.

(2) An intraday credit must be secured by securities that are registered in the Central Register of Short-term Securities kept by the NBS.

(3) The securities referred to in Paragraph 2 must be:

- a) registered in a safe custody account of the SIPS participant concerned, and must not be subject to another pledge;
- b) due at least two working days following the expiration of the pledge established for the purposes of providing an intraday credit.

(4) The value of securities shall be expressed in market price reduced by a 2% haircut.

(5) For the whole period during which they will be subject to pledge, the securities shall be valued at the market price valid at the beginning of the given period.

¹ Article 2 paragraph 1 of Decision of the National Bank of Slovakia No 7/2003 on the minimum required reserves of banks, branch offices of foreign banks, building societies, and electronic money institutions.

(6) The market price of securities shall be published by the NBS on the website of the REUTERS' information system on the last working day of a week, no later than 1:00 p.m., with effect for the following operating day.

(7) The total amount of an intraday credit shall be calculated according to the formula given in Annex 1 and shall be rounded to 2 decimal places according to the rules of rounding.

Article 3 **Application for an Intraday Credit**

(1) An intraday credit shall be provided on the basis of a written application from a participant in the SIPS, delivered by fax or in person always on the last working day of a week, usually on Friday by 12:00 o'clock, to the Domestic Currency Settlement Section of the Settlement Department of the NBS. A specimen application for an intraday credit is given in Annex 2.

(2) An application pursuant to Paragraph 1 shall contain a proposal for the registration of pledged securities.

(3) If a sufficient amount of securities pursuant to Article 2 paragraph 3 is on a participant's safe custody account, the NBS shall provide an intraday credit, register pledged securities, calculate the credit limit, and shall inform by fax the participant of the amount of the intraday credit provided; if there are not enough securities on the participant's safe custody account, the NBS shall not provide an intraday credit, and shall immediately notify the participant of this fact by telephone and ask the participant to deliver a new application.

(4) Acceptance in part of an application pursuant to Paragraph 1 shall be inadmissible.

(5) The NBS shall send the notification of the registration of a pledge pursuant to Paragraph 3 by mail.

Article 4 **Time of Disbursement and Repayment of Intraday Credits**

(1) The NBS shall make it possible for participants in the SIPS to draw intraday credits over a period of one week.

(2) Participants in the SIPS shall be obliged to pledge securities pursuant to Article 2 paragraph 3 for one week, i.e. from the first working day of the following week, usually Monday, to the last working day of that week, usually Friday.

(3) Securities pledged pursuant to Paragraph 2 must not be disposed of, except for the case described in Article 6.

(4) Participants in the SIPS shall be allowed to draw intraday credits at any time between the beginning of an operating day of the SIPS and 12:45 p.m.

(5) A participant in the SIPS shall be obliged to repay a drawn intraday credit by the time when priority payments are received in the SIPS, no later than 1:00 p.m. (hereinafter referred to as the 'time of repayment of an intraday credit').

(6) An intraday credit shall be regarded as repaid if the account of a relevant participant in the SIPS has a credit or zero balance after the termination of receiving of priority payments.

Article 5 Credit Limit

(1) At the beginning of an operating day, the NBS shall ensure that a credit limit is set for accounts of participants in the SIPS, up to which the participants may draw an intraday credit.

(2) The credit limit set pursuant to Paragraph 1 shall be valid during the whole week, with exceptions set out in Paragraph 3 letter b) and Paragraph 4.

(3) If a penalty refinancing repo transaction pursuant to Article 6 is secured by:

- a) securities other than those used for securing an intraday credit, the credit limit shall remain unchanged;
- b) the same securities or a part of the same securities that are used for securing an intraday credit, the credit limit shall be modified (reduced) by the value of the transferred securities with effect for all of the following operating day.

(4) If a participant in the SIPS fails to repay a penalty refinancing repo transaction secured by securities referred to in Paragraph 3 letter b), the credit limit shall remain modified (reduced) by the value of the transferred securities with effect until the end of the week.

(5) A new credit limit for the drawing of intraday credits shall be announced by the NBS to such participant in the SIPS via a fax message.

Article 6 Transformation of an Intraday Credit into a Penalty Refinancing Repo Transaction

(1) If a participant in the SIPS fails to discharge his obligation by the time of repayment of an intraday credit, he shall be obliged to apply, no later than 1:10 p.m., to the Open Market Operations Section of the Banking Transactions Department of the NBS for a penalty refinancing repo transaction. A penalty refinancing repo transaction shall bear a penalty interest rate, which corresponds with the interest rate of overnight refinancing transactions increased by two percentage points.

(2) If a participant in the SIPS fails to ask the NBS for a penalty refinancing repo transaction pursuant to Paragraph 1, the NBS shall be entitled to automatically transform the participant's intraday credit into a penalty refinancing repo transaction.

(3) The NBS shall provide a penalty refinancing repo transaction pursuant to Paragraph 2 by transferring, at its discretion, the securities used to secure an intraday credit in such an amount that the account of the participant in the SIPS subsequently show a credit or zero balance; in such a case the NBS shall use a special penalty interest rate, corresponding with the interest rate of overnight refinancing transactions increased by five percentage points.

(4) Securities shall be valued at market price valid on the day on which the securities are transferred pursuant to Paragraphs 1 and 3.

Article 7
Repayment of Penalty Refinancing Repo Transactions

(1) A participant in the SIPS shall be obliged to repay a penalty refinancing repo transaction, including interest, on the operating day following the day when it is provided.

(2) If a participant in the SIPS fails to repay in due time a penalty refinancing repo transaction provided, the ownership of securities used to secure the transaction shall pass to the NBS, while the participant in the SIPS shall be obliged to pay interest on the provided penalty refinancing repo transaction.

(3) Interest from the participant in the SIPS pursuant to Paragraph 2 shall be collected by the NBS on the basis of a collection order.

Article 8
Modification of the Daily Schedule

If the daily operating schedule of the SIPS is to be modified, appropriate modifications shall be also made to the schedule for drawing intraday credits, repaying intraday credits and transforming intraday credits into penalty refinancing repo transactions.

PART THREE
FINAL PROVISION

Article 9

This Decision shall enter into force on 1 January 2004.

Marián Jusko
Governor

Published by: Settlement Department, NBS

Formula for the calculation of the total amount of an intraday credit

$$\sum_{i=1}^n CP_i * TC_i * (1 - z)$$

where:

CP = number of securities

TC = market price per security (in SKK/pce)

z = haircut expressed in decimals

i = number of issues of securities

Application for an intraday credit

Code of pledgor¹:

Trade name and address of pledgor:

Period of registration of pledge: from:
to: including

List of securities proposed for pledge

Issue No	Face value	Total number	Market price (per security in SKK)	Value accepted for the loan to be provided (SKK)²
TOTAL	X	X	X	

Place and date of application

Signatures of authorised persons and
stamps of the pledgor

To be completed by the NBS

We hereby inform you that the amount of the intraday credit provided by the NBS shall be SKK Your credit limit shall correspond with the stated amount.

Place and date of issue

Signatures of authorised persons and
stamps of the NBS

The part within the bold frame is to be completed by the NBS

¹ The code used by the participant in contact with the Central Register of the NBS.

² Accepted value = number of pcs * market price * (1 – haircut expressed in decimals)