



**NATIONAL BANK
OF THE REPUBLIC OF BELARUS**

RESOLUTION OF THE BOARD

December 30, 2016 No. 657

Minsk

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On approval of the Regulations on the principles of managing the liquidity of banks of the Republic of Belarus by the National Bank of the Republic of Belarus

On the grounds of sub-item 50.15 of item 50 in the Statute of the National Bank of the Republic of Belarus approved by Edict of the President of the Republic of Belarus No. 320 dated June 13, 2001 as revised by Edict of the President of the Republic of Belarus No. 285 dated June 19, 2007, the Board of the National Bank of the Republic of Belarus RESOLVES the following:

1. The enclosed Regulations on the principles of managing the liquidity of banks of the Republic of Belarus by the National Bank of the Republic of Belarus shall be approved.
2. This resolution shall come into effect from March 1, 2017.

Chairman of the Board

P. V. Kallaur

APPROVED

Regulation of the Board of
the National Bank of the
Republic of Belarus

December 30, 2016 No. 657

REGULATIONS

on the principles of managing the
liquidity of banks of the Republic of
Belarus by the National Bank of the
Republic of Belarus

ARTICLE 1 GENERAL PROVISIONS

1. The present Regulations specify the principles of operations conducted by the National Bank of the Republic of Belarus (hereinafter “the National Bank”) with a view to manage BYN-denominated liquidity of banks of the Republic of Belarus (hereinafter “the liquidity”). The present Regulations shall not govern liquidity management operations with non-bank financial institutions.

2. For the purposes of the present regulations the terms defined below shall have the following meanings:

intraday liquidity – means availability of BYN-denominated funds to banks during business hours for making payments. Intraday liquidity shall be managed through fulfillment of reserve requirements on averaged basis and intraday loan;

current liquidity – means availability of BYN-denominated funds to banks for making payments, responding the need to fulfill reserve requirements during the current maintenance period. Current liquidity shall be managed through application of standard instruments of the National Bank with a maturity within the current maintenance period and the period immediately following the current reserve requirements maintenance period, and also through fulfillment of reserve requirements on averaged basis;

structural liquidity – means availability of BYN-denominated funds to banks for making payments that is characterized with a specific stable condition regarding the need to fulfill reserve requirements during the period which exceeds the current maintenance period. Structural liquidity shall be managed through change of required reserves ratios, purchase and sale of securities in circulation before maturity, conducting standard operations with the maturity exceeding the current maintenance period and the period immediately following the current reserve requirements maintenance period. To ensure financial stability of the banking system, structural liquidity may be adjusted also through provision of stabilization loans.

ARTICLE 2 PRINCIPLES OF LIQUIDITY MANAGEMENT

3. Liquidity management is a part of the monetary regulation system of the National Bank and is based on goals set by the Monetary Policy Guidelines of the Republic of Belarus for the coming year, and by other regulatory legal acts. Banking system liquidity management aims at:
 - contributing to uninterrupted settlements based on maintaining the required liquidity level;
 - smoothing the financial market fluctuations and prevention from crisis caused by short-term factors; increase in predictability of interest rates trends in financial markets, mitigation of interest rate risk of banks;
 - formation of economic expectations of market participants in accordance with the monetary policy objectives;
 - contributing to development of different segments of financial market by choosing certain operations for liquidity management.
4. Correction of structural disparities of banks' balances and resolving issues related to or caused by long-term problems shall not be the purpose of current liquidity management.
5. According to Article 25 in the Banking Code of the Republic of Belarus, profit making is not the main purpose of the National Bank's activity. The National Bank's profit is not a determinant for interest rates fixing and making other decisions on current liquidity management.
6. The National Bank shall give preference to current liquidity management. Standard instruments for current liquidity management and their

characteristics are set forth according to the Annex to the present Regulations.

The principles of current liquidity management shall be as follows:

synchronization of core liquidity management operations and decisions of the National Bank on changing the interest rate level with reserve requirements maintenance periods;

minimization of interference of the National Bank in the money market functioning while conducting liquidity management operations with maintaining their efficiency in terms of attaining the operational target;

operational efficiency, simplicity and automation of procedures for execution of liquidity management operations;

transparency of the National Bank's policy;

imposing equal criteria to banks by the National Bank when assessing eligibility for using liquidity management instruments;

fixed maturity of operations of the National Bank, i.e. inadmissibility of prescheduled termination of obligations and roll over for operations of current liquidity management;

securing of current liquidity providing operations with liquid collateral.

7. Current liquidity shall be managed through:

development of liquidity management operations tactics by the National Bank;

setting the parameters of liquidity management operations;

providing the information on liquidity to the market participants.

8. In implementing monetary policy by the National Bank through current liquidity management, attaining the monetary policy operational target shall be a priority.

9. The monetary policy operational target shall be specified by the Monetary Policy Guidelines of the Republic of Belarus for the coming year; its parameters shall be set by separate decisions of the Board of the National Bank.

ARTICLE 3 LIQUIDITY INDICATORS

10. To develop tactics for liquidity management operations conducted by the National Bank and to make decisions on setting parameters thereof the following indicators shall be applied:

reserve requirements position;

standard liquidity management instruments position (hereinafter the “instruments position”);

liquidity.

11. The reserve requirements position shall be defined as a volume of Belarusian roubles on correspondent accounts of members of the payment system of the Republic of Belarus with the National Bank less the volume of money needed to fulfill reserve requirements until the end of the maintenance period.

The negative reserve requirements position shall indicate the volume of borrowings by banks from the required reserve fund; the positive reserve requirements position shall indicate the volume of money in such funds exceeding the amount required.

Using its instruments, the National Bank works to ensure the reserve requirements position that contributes to attaining the operational target.

12. The instruments position represents net claims (claims less liabilities) of the members of the payment system of the Republic of Belarus to the National Bank under standard liquidity management instruments.

The negative instruments position indicates excess of the outstanding debt on standard liquidity providing operations over the balance on standard liquidity absorbing operations.

13. Liquidity represents the sum of reserve requirements position and standard liquidity management instruments position as of the close of the business day. Positive value of this indicator indicated excess liquidity; the negative value of the same indicates liquidity shortage.

ARTICLE 4 LIQUIDITY MANAGEMENT INSTRUMENTS

14. Depending on affecting the liquidity, operations of the National Bank shall be classified as liquidity providing operations and liquidity absorbing operations.
15. Liquidity providing operations may be executed in the form of loans, swap transactions, repo transactions; liquidity absorbing operations may be executed in the form of deposits, issue of bonds of the National Bank (hereinafter “the bonds”), reverse repo.
16. Liquidity management operations have the following characteristics:
 - interest rate;
 - procedure of conducting operations;
 - frequency;
 - time;
 - autonomy.

Autonomy means that no consent of the National Bank shall be required when eligibility criteria related to the respective liquidity management instruments are fulfilled by banks.

17. The current liquidity management instruments represent a combination of forms and characteristics of operations that ensure accomplishment of a specific task to attain the operational target; such instruments are divided into:
 - standing facilities;
 - bilateral operations;
 - open market operation (main and additional).

ARTICLE 5 STANDING FACILITIES

18. Standing facilities are aimed at autonomous executing by the banks with a view to adjusting their liquidity in addition to main open market operations. In this context, the standing facilities interest rates form the interest rate fluctuation bounds (corridor) for interbank overnight loans denominated in Belarusian roubles.
19. Standing facilities may be conducted in the form of loans, swap transactions and deposits.

20. Standing facilities shall be conducted at the initiative of banks and have the following characteristics:
 - autonomy;
 - fixed rate;
 - maturity overnight;
 - execution on bilateral basis.
21. The National Bank may set the overall (for all banks) and individual (for each bank) outstanding limits (as regards the principal amount) on funds provided under standing current liquidity providing facilities. The limits may be set for the purpose of attaining the operational target or for limitation of financial risks of the National Bank. The limits calculation method shall be specified in each particular case guided by tasks, which are pursued by setting the limits.

ARTICLE 6 BILATERAL OPERATIONS

22. Bilateral operations shall be executed in the form of loans and swap transactions in addition to standing current liquidity providing facilities, when the latter are subject to the limits or any other limitations.
23. Bilateral operations shall have the same characteristics as standing facilities, except for autonomy and maturity. Provision of resources under bilateral operations shall be focused on limited support of liquidity under direct supervision of the National Bank.
24. Fixed interest rates on bilateral operations shall be equal to the interest rate on standing current liquidity providing facilities.
25. Should the banks' aggregate demand for liquidity support through bilateral operations exceed the volume of money that can be provided by the National Bank during the current day, the banks' bids shall be satisfied with due regard for the following factors:
 - importance of the bank for ensuring uninterrupted settlements in the entire banking system;
 - the maturity of refinancing is requested by the bank;
 - the nature of liquidity management measures taken by the bank (compliance with the recommendations of the National Bank as

regards the bank's liquidity boosting, adjustment of the structure of active transactions);

relations with the bank at support of its liquidity in the past (fulfillment of obligations to the National Bank in due time and in full; refusal to enter into the stated transactions).

ARTICLE 7 MAIN OPEN MARKET OPERATIONS

26. Main open market operations are given the main role in current liquidity management and in attaining the operational target, and may be executed in the form of loans, swap transactions, issue of bonds, repo and reverse repo, deposits.
27. Main open market operations have the following characteristics:
 - are conducted as an auction;
 - are conducted in accordance with the schedule of main open market operations of the National Bank (hereinafter "the schedule of operations");
 - the interest rate and/or volume may be determined directly during the auction or just before the auction depending on its form.
28. Conducting main open market operations, the National Bank aims at setting the interest rate on such operations as a benchmark for the rate on interbank overnight loans denominated in Belarusian roubles.
29. The schedule of operations shall contain information on dates, maturities and, when necessary, other information on scheduled operations. The schedule is generally made for a quarter. The basic parameters of auctions shall be specified and announced to banks no later than the day immediately preceding the auctioning day.
30. The schedule of operations shall provide for weekly operations execution, generally on Wednesdays, for a seven-day period. Should the date of execution of such operations fall on a non-working day, it shall be postponed to the immediately following business day. Should this be the case, the maturity date of the operation may be adjusted to match the date of the next seven-day operation.

31. The schedule of operations may be supplemented with regular operations with other maturities not exceeding three months.

ARTICLE 8 ADDITIONAL OPEN MARKET OPERATIONS

32. Additional open market operations aim at mitigation of unanticipated current liquidity fluctuations or at liquidity management maturity extension, and shall have the same characteristics as main operations; provided that:

date and maturity shall be specified by the National Bank concerning the particular liquidity situation;

the procedure shall be the auction or additional placement of securities of the National Bank.

33. The maturity of additional operations generally shall not exceed three months.

ARTICLE 9 RESERVE REQUIREMENTS FULFILLMENT ON AVERAGED BASIS

34. Reserve requirements fulfillment on averaged basis enables banks to mitigate short-term fluctuations of current liquidity having smoothing impact on the level of interest rates on interbank overnight loans denominated in Belarusian roubles. Reserve requirements also are the source of banks' intraday liquidity support.
35. Duration of the reserve requirements maintenance period shall be a multiple of seven days, which corresponds to the maturity of main open market operations and makes 28 or 35 days (4 or 5 weeks). The first day of maintenance period shall be the same as the day of conduct of main seven-day open market operations, which generally is close to the 15th day of a month.
36. The schedule of the reserve requirements maintenance periods shall be made essentially for one year.

ARTICLE 10
INTRADAY LOAN

37. The intraday loan enables the bank to replenish its intraday liquidity and contributes to more even and faster completion of payments within a day.
38. The outstanding debt on the intraday loan (on the principal) may not exceed the individual debt limit on standing overnight loan fixed for the bank.

ARTICLE 11
STRUCTURAL LIQUIDITY MANAGEMENT

39. To absorb structural liquidity, the National Bank may raise reserve requirements ratios, sell the securities in its portfolio before maturity, perform standard operations of liquidity absorption for a period exceeding the duration of the current maintenance period and the period immediately following the current reserve requirements maintenance period.
40. To support structural liquidity, the National Bank may reduce reserve requirements ratios, purchase outstanding securities before maturity from banks, perform standard operations of liquidity provision for a period exceeding the duration of the current maintenance period and the period immediately following the current reserve requirements maintenance period, as well as provide stabilization loans should it be necessary to ensure financial stability of the banking system.
41. Stabilization loans shall be provided in order to support solvent banks with promising business model in implementation of programs aimed at stabilization of financial condition and overcoming the structural liquidity shortage.
42. Stabilization loans shall be provided for a period specified depending on the financial condition stabilization program, but such period may not exceed one year.

The interest rate shall be fixed at the level exceeding interest rates on standing current liquidity providing facilities.

ARTICLE 12

MAKING DECISIONS ON LIQUIDITY MANAGEMENT AND DISCLOSURE OF INFORMATION

43. The Board of the National Bank shall make the following decisions:
- on fixing interest rates on standing facilities;
 - on changing reserve requirements ratios;
 - on provision of stabilization loans.
44. The terms of reference of the Financial Markets Operations Committee covers the following issues:
- setting the rates on use of foreign currency denominated funds under swap transactions;
 - setting of aggregate and individual limits on standing current liquidity providing facilities (when necessary) with a view to attaining the operational monetary policy target;
 - approval of the schedule of main open market operations of the National Bank;
 - extension of maturity of open market operations, when necessary;
 - setting the limits for interest rates on open market operations, when necessary;
 - suspension of any type of liquidity management operations with all or particular banks;
 - determination of planned volume of auction operations and/or of marginal interest rate and volume of liquidity management operations auction in the banking system;
 - determination of volume of bilateral operations of the National Bank aimed at supporting banks' liquidity.
45. The vice Chairman of the Board of the National Bank, who guides the activities of the Financial Markets Operations Directorate, shall make the following decisions:
- on conducting additional open market operations;
 - on parameters of scheduled open market operations.
46. Information on the current liquidity level, parameters of scheduled and actually executed current liquidity management operations, required reserves, counterparties of the National Bank, policy documents and

regulatory legal acts relating to operations of the National Bank shall be placed by the Financial Markets Operations Directorate on the National Bank's official Internet site in the Monetary Policy section.

To enhance efficiency of operations and quality of current liquidity forecasting by banks, the National Bank shall be entitled to place any other information, in particular, data describing dynamics and structure of current liquidity in the banking system.

Annex
to the Regulations on the principles
of managing the liquidity of banks
of the Republic of Belarus by the
National Bank of the Republic of
Belarus

Standard current liquidity management instruments, and characteristics
thereof

Name of the instrument, Type of operations *	Characteristics				
	Interest rate	Maturity	Initiator of transaction	Autonomy	Procedure of operation
Standing facilities					
Overnight loan (+) SWAP (+) Deposits (-)	Fixed	1 day	Banks	Yes	Bilateral transaction
Bilateral operations					
Loans (+) SWAP (+)	Fixed	Up to 30 days	Banks	No	Bilateral transaction
Open market operations					
Main open market operations					
Loans (+) SWAP (+) Bonds (-) Repo (+) and reverse Repo (-) Deposits (-)	Market	Determined in the schedule of operations	National Bank	No	Auction
Additional open market operations					
Loans (+) SWAP (+) Bonds (-) Repo (+) and reverse Repo (-) Deposits (-)	Market	Not standardized	National Bank	No	Additional placement of bonds

*The sign "+" marks liquidity providing operations; the sign "-" marks liquidity absorbing operations.