

**OFFICIAL INFORMATION
OF THE CZECH NATIONAL BANK**
of 21 November 2018

regarding Articles 23, 24 and 25 of Act No. 6/1993 Coll., on the Czech National Bank, as amended, and regarding Decree No. 253/2013 Coll., stipulating the terms and conditions for creating minimum reserves

The Czech National Bank hereby provides the following information regarding Articles 23, 24 and 25 of Act No. 6/1993 Coll., on the Czech National Bank, as amended (hereinafter referred to as the “Act”), and regarding Decree No. 253/2013 Coll., stipulating the terms and conditions for creating minimum reserves (hereinafter referred to as the “Decree”):

PART ONE

I. Accounts for holding minimum reserves
(Regarding Article 24(1) of the Act)

1. A bank or a foreign bank branch (hereinafter referred to as a “bank”) and a credit union (hereinafter referred to as a “credit union”) shall hold minimum reserves as follows:
 - a) where it is a direct participant of the CERTIS payment system operated by the Czech National Bank, it shall hold the minimum reserves on its payment system account and also on its cash deposit and withdrawal account^{1,2} with the Czech National Bank, if it has opened such an account,
 - b) where it is not a direct participant of the CERTIS payment system, it shall hold the minimum reserves on its cash deposit and withdrawal account,^{1,2} if it has opened such an account,
 - c) where it is not a participant of the CERTIS payment system and has not opened a cash deposit and withdrawal account², it shall hold the minimum reserves on a special minimum reserves account with the Czech National Bank; in such case the bank or

¹ Where a bank or a credit union has entered into an account agreement with the Czech National Bank for the purpose of depositing and withdrawing small amounts of cash (deposits limited to CZK 5 million), the balance on this account shall not be included in compliance with the reserve requirement in accordance with this agreement.

² As from the second quarter of 2019, the current “Cash withdrawal and deposit account agreement” shall be replaced by the “Cash deposit and withdrawal account agreement”.

credit union shall apply for the opening of the said special account at least ten days before the start of the maintenance period in which it is required to deposit minimum reserves with the Czech National Bank for the first time.

2. A bank or a credit union shall contact Department 620 – Risk Management and Transactions Support with an application to open a payment system account with the Czech National Bank. The contact e-mail address is:

certis@cnb.cz

and the contact persons are:

Kateřina Petrašová	telephone: 224 413 675	e-mail: Katerina.Petrasova@cnb.cz
Lucie Paloncyová	telephone: 224 414 214	e-mail: Lucie.Paloncyova@cnb.cz

3. A bank or a credit union shall contact Department 330 – Cash with an application to open a cash withdrawal and deposit account² with the Czech National Bank. The contact persons are:

Jana Bidlová	telephone: 224 412 703	e-mail: Jana.Bidlova@cnb.cz
Tomáš Pekárek	telephone: 224 413 897	e-mail: Tomas.Pekarek@cnb.cz

4. A bank or a credit union shall contact Department 220 – Budget and Accounting with an application to open a special minimum reserves account with the Czech National Bank. The contact e-mail address is:

uctybank@cnb.cz

and the contact persons are:

Marie Hartmannová	telephone:	224 412 309
Miloslava Řihová	telephone:	224 412 827

II. Reserve base

(Regarding Article 5 of the Decree)

1. To determine the reserve base for a particular maintenance period,
 - a) a bank shall use the statement Bil (ČNB) 1-12 “Monthly balance of assets and liabilities of a bank/foreign bank branch”, data area RIS11_26 “Data for the reserve requirement calculation”, and
 - b) a credit union shall use the statement DZ (ČNB) 26-12 “Monthly statement of selected liabilities for the reserve requirement calculation and of insured deposits”, data area RIS11_26 “Data for the reserve requirement calculation”.

2. The reserve base shall be determined according to the following formula (using column 1 “Residents and non-residents, total”):

row 7 column 1 – row 8 column 1 + row 9 column 1 – row 10 column 1 – row 11 column 1 + row 12 column 1 – row 13 column 1 – row 14 column 1

Row 7: deposits and loans accepted from entities other than banks or credit unions with maturity up to and including two years

Row 8: loans from repo transactions accepted from entities other than banks or credit unions with maturity up to and including two years

Row 9: non-marketable debt securities issued with maturity up to and including two years

Row 10: banks’ holdings of non-marketable debt securities issued with maturity up to and including two years

Row 11: credit unions’ holdings of non-marketable debt securities issued with maturity up to and including two years

Row 12: other debt securities issued with maturity up to and including two years

Row 13: banks’ holdings of other debt securities issued with maturity up to and including two years

Row 14: credit unions’ holdings of other debt securities issued with maturity up to and including two years

Maturity is understood to mean the original maturity of liabilities.

The calculated required amount of minimum reserves shall be rounded to the nearest whole koruna.

III. Verification of the required amount of minimum reserves

(Regarding Article 5 of the Decree)

1. The bank or the credit union shall calculate the required amount of minimum reserves and, in order to verify the correctness of its calculation, shall notify the Czech National Bank thereof at the latest on the 25th calendar day of the month preceding the month in which the maintenance period starts. The Czech National Bank shall acknowledge the notified amount of minimum reserves at the latest by the end of the business day preceding the start of the maintenance period. If the notified amount of minimum reserves does not match the calculation made by the Czech National Bank, the required amount of minimum reserves shall be determined by consultation between the Czech National Bank and the bank or credit union concerned within the deadline given in the second sentence of this paragraph.

2. For the purposes of calculating the required amount of minimum reserves, the Czech National Bank shall take into account revisions to the amount of minimum reserves resulting from corrections made to erroneous reporting of liabilities in the statistical statements at the latest by the 15th calendar day of the month in which the maintenance period started. The requisites of such revisions are: written form, a specification of the amount of liabilities whose revision has affected the reserve base, the revised required amount of minimum reserves, and a brief

justification. The Czech National Bank shall send its opinion within three business days of receiving the request.

3. If the day on which the time limit specified in the first sentence of paragraph 1 and the first sentence of paragraph 2 is to end is not a business day, the last day of the time limit shall be the nearest following business day.

4. To notify and revise the required amount of minimum reserves, a bank or a credit union shall contact Department 610 – Financial Markets. The contact e-mail address is:

pmr.potvrzeni@cnb.cz

and the contact persons are:

Lucie Huňková	telephone: 224 412 310	e-mail: Lucie.Hunkova@cnb.cz
Jana Staňková	telephone: 224 412 255	e-mail: Jana.Stankova@cnb.cz
Petr Milisderfer	telephone: 224 414 283	e-mail: Petr.Milisderfer@cnb.cz
Pavel Pokluda	telephone: 224 413 004	e-mail: Pavel.Pokluda@cnb.cz

IV. Maintenance period

(Regarding Article 4(1) of the Decree)

The maintenance period calendar, including the applicable statement for calculating the minimum reserves for 2019, is as follows:

Reserve maintenance period	Statement for calculating minimum reserves as of
from 6 December 2018 to 2 January 2019	31 October 2018
from 3 January 2019 to 6 February 2019	30 November 2018
from 7 February 2019 to 6 March 2019	31 December 2018
from 7 March 2019 to 3 April 2019	31 January 2019
from 4 April 2019 to 1 May 2019	28 February 2019
from 2 May 2019 to 5 June 2019	31 March 2019
from 6 June 2019 to 3 July 2019	30 April 2019
from 4 July 2019 to 31 July 2019	31 May 2019
from 1 August 2019 to 4 September 2019	30 June 2019
from 5 September 2019 to 2 October 2019	31 July 2019
from 3 October 2019 to 6 November 2019	31 August 2019
from 7 November 2019 to 4 December 2019	30 September 2019
from 5 December 2019 to 1 January 2020	31 October 2019

V. Compliance with the reserve requirement in a maintenance period

(Regarding Article 3(3) and (4) of the Decree)

1. The minimum reserve requirement shall be met if the average daily balance on the account or accounts referred to in point I item 1 (accounts for holding minimum reserves) on which the bank or credit union holds minimum reserves (hereinafter referred to as the “average daily balance on accounts for holding minimum reserves”) for the maintenance period is not lower than the minimum reserve requirement.
2. The average daily balance on the accounts for holding minimum reserves shall be calculated from the end-of-day balances on these accounts. The average daily balance on the accounts for holding minimum reserves for the maintenance period shall be calculated as the sum of the end-of-day balances on these accounts divided by the number of calendar days in the maintenance period and shall be rounded to the nearest whole koruna. For non-business days, the end-of-day balance of the nearest preceding business day shall be used for the sum of the end-of-day balances on these accounts.
3. If the bank or credit union holds minimum reserves on a cash deposit and withdrawal account² pursuant to point I item 1a) or b) and the end-of-day balance on this account is negative (a debit technical balance), a zero balance shall be used to calculate the average daily balance on this account for the relevant day.

VI. Remuneration of reserve holdings

(Regarding Article 24(1) of the Act)

1. The interest paid on minimum reserve holdings shall be calculated from the average daily balance on the accounts for holding minimum reserves (point V, item 2), but at most the required amount of minimum reserves (point II and Article 3 of the Decree), and the number of calendar days in the maintenance period. The interest rate shall be the two-week repo rate of the Czech National Bank applicable during the maintenance period and announced in the Bulletin of the Czech National Bank. If the current two-week repo rate of the Czech National Bank is negative, minimum reserves shall be remunerated at 0%.
2. Interest paid on reserve holdings shall be calculated according to the following formula:

$$R_t = \frac{PMR_t \times n_t \times US_t}{360 \times 100} \quad US_t = \sum_{i=1}^{n_t} \frac{us_i}{n_t}$$

where:

- R_t = interest to be paid on reserve holdings in maintenance period t
 PMR_t = the average daily balance on the accounts for holding minimum reserves, but at most the required amount of minimum reserves, in maintenance period t
 US_t = the average interest rate over maintenance period t

- i = the i-th calendar day of maintenance period t
- us_i = the 2W repo rate on day i
- n_t = the number of calendar days in maintenance period t

3. The Czech National Bank shall calculate the interest to three decimal places and round the final interest to the nearest heller.

4. The Czech National Bank shall pay the interest on reserve holdings on the second business day following the end of the maintenance period over which the interest was earned.

5. The Czech National Bank shall credit interest on reserve holdings to the accounts referred to in point I, item 1. If the bank or credit union holds minimum reserves simultaneously on a payment system account and a cash deposit and withdrawal account pursuant to point I item 1a), the whole interest shall be credited solely to the payment system account.

VII. Measures imposed in the event of non-compliance with the reserve requirement
(Regarding Article 25 of the Act)

1. Where the bank or credit union fails to hold the required amount of minimum reserves, the Czech National Bank is entitled to charge it interest at double the average Lombard rate announced in the Bulletin of the Czech National Bank and effective in the maintenance period on the amount of minimum reserves which the bank fails to provide. The amount which the bank fails to provide shall be the difference between the required amount of minimum reserves (point II and Article 3 of the Decree) and the average daily balance on the accounts for holding minimum reserves (point V, item 2) over the maintenance period.

2. Interest paid for non-compliance with the reserve requirement shall be calculated according to the following formula:

$$SU_t = \frac{ND_t \times n_t \times SUS_t}{360 \times 100} \qquad SUS_t = \sum_{i=1}^{n_t} \frac{SUS_i}{n_t}$$

where:

- SU_t = interest charged for non-compliance with the reserve requirement in maintenance period t
- ND_t = the non-compliance amount (the difference between the required amount of minimum reserves and the average amount of minimum reserves in maintenance period t)
- SUS_t = the average rate for non-compliance with the reserve requirement in maintenance period t
- i = the i-th calendar day of maintenance period t
- sus_i = the rate for non-compliance with the reserve requirement on calendar day i (double the Lombard rate)
- n_t = the number of calendar days in maintenance period t

3. The Czech National Bank shall calculate the interest charged for non-compliance with the reserve requirement to three decimal places and round the final interest to the nearest heller.
4. The Czech National Bank shall collect the interest charged for non-compliance with the reserve requirement on the 15th calendar day of the month following the month within which the maintenance period started. Where this is not a business day, the Czech National Bank shall collect the interest on the following business day.
5. The Czech National Bank shall debit the interest charged for non-compliance with the reserve requirement to the accounts referred to in point VI, item 5.

VIII. The holding of minimum reserves in the event of the conversion, transfer of the business or winding-up of a bank or credit union

It is recommended that the procedure regarding compliance with the reserve requirement in the event of the conversion, transfer of the business or winding-up of a bank or credit union be consulted with the Czech National Bank sufficiently in advance.

PART TWO

IX. Remuneration of excess reserves
(Regarding Article 23 of the Act)

1. Excess reserves shall mean the amount by which the average daily balance on the accounts for holding minimum reserves (point V, item 2) exceeds the minimum reserve requirement (point II and Article 3 of the Decree) over the maintenance period.
2. Excess reserves shall also mean the average credit balance for the interest period on the payment system account in the CERTIS system which has been opened for a CERTIS direct participant that is not subject to the minimum reserve requirement.
3. The interest period shall be the same as the maintenance period for minimum reserves.
4. Interest on funds representing excess reserves shall be calculated according to the following formula:

$$VRU_t = \frac{VR_t \times n_t \times VRUS_t}{360 \times 100} \qquad VRUS_t = \sum_{i=1}^{n_t} \frac{vrus_i}{n_t}$$

where:

VRU_t = interest to be paid on excess reserve holdings in maintenance period t

VR_t = excess reserves (determined in the manner specified in paragraph 1 or 2)
 $VRUS_t$ = the average rate of remuneration of excess reserves in maintenance period t
 i = the i-th calendar day of maintenance period t
 $vrus_i$ = the rate of remuneration of excess reserves on calendar day i
 n_t = the number of calendar days in maintenance period t

5. The Czech National Bank shall pay the interest on excess reserves on the second business day following the end of the maintenance (interest) period to the accounts of banks and credit unions referred to in point VI, item 5 and to the payment system account in the case of a CERTIS direct participant that is not subject to the minimum reserve requirement.
6. The interest rate on excess reserves shall be 0%.

PART THREE

X. Final provision

This Official Information shall apply from 1 January 2019. As of the same day, Official Information of the Czech National Bank of 24 October 2017, regarding Articles 23, 24 and 25 of Act No. 6/1993 Coll., on the Czech National Bank, as amended, and regarding Decree No. 253/2013 Coll., stipulating the terms and conditions for creating minimum reserves, shall cease to be in force.

Vice-Governor

Mojmír Hampl

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