



NATIONAL BANK OF ROMANIA

Regulation No. 1 of 30 March 2000

on open market operations performed by the National Bank of Romania and lending and deposit facilities granted to eligible participants*

republished in Monitorul Oficial al României, Part One, No. 84 of 1 February 2008

CHAPTER I

General provisions

Art. 1. – Under the present Regulation, the terms stated below shall have the following meanings:

a) open market operations of the National Bank of Romania – operations carried out on the initiative of the central bank implying one of the following transactions:

- 1) reverse purchases/sales – repo/reverse repo – of eligible assets;
- 2) credit operations against eligible assets as collateral;
- 3) outright sales/purchases of eligible assets;
- 4) issuance of certificates of deposit;
- 5) foreign exchange swaps; and
- 6) deposit-taking operations;

b) reverse purchases – repo – of eligible assets – liquidity-providing reverse transactions whereby the National Bank of Romania buys eligible assets from eligible participants upon their commitment to repurchase the assets at the date and the price agreed on the date the transaction was concluded;

* Republished pursuant to Art.II of NBR Regulation No.7/2007 amending and supplementing NBR Regulation No. 1/2000 on open market operations performed by the National Bank of Romania and lending and deposit facilities granted to eligible participants (counterparties), published in *Monitorul Oficial al României*, Part One, No.719 of 24 October 2007, the texts being renumbered.

Regulation No. 1/2000 was published in *Monitorul Oficial al României*, Part One, No. 142 of 5 April 2000, being subsequently amended and supplemented by:

- NBR Circular No.3/2004 amending and supplementing NBR Regulation No.1/2000 on open market operations performed by the National Bank of Romania and lending and deposit facilities granted to banks, published in *Monitorul Oficial al României*, Part One, No.202 of 8 March 2004;

- NBR Regulation No.7/2006 amending and supplementing NBR Regulation No.1/2000 on open market operations performed by the National Bank of Romania and lending and deposit facilities granted to banks, as subsequently amended and supplemented, published in *Monitorul Oficial al României*, Part One, No.861 of 20 October 2006.

c) reverse sales – reverse repo – of eligible assets – liquidity-absorbing reverse transactions whereby the National Bank of Romania sells eligible assets to eligible participants, thereby committing itself to repurchase the assets at the date and the price agreed on the date the transaction was concluded;

d) credit operations against eligible assets as collateral – liquidity-providing reverse transactions whereby the National Bank of Romania grants loans to eligible participants that remain the owners of the underlying assets;

e) outright sales/purchases of eligible assets – liquidity-absorbing/providing transactions whereby the National Bank of Romania sells/buys eligible assets whose ownership is transferred from seller to buyer on a “delivery versus payment” basis;

f) issuance of certificates of deposit – liquidity-absorbing transaction whereby the National Bank of Romania sells certificates of deposits to eligible participants;

g) foreign exchange swaps – consist of two simultaneous transactions concluded with the same counterparty, whereby the National Bank of Romania:

- buys foreign currency spot against *lei*, for liquidity-providing purposes, and sells the same amount of foreign currency forward against *lei*; or
- sells foreign currency spot against *lei*, for liquidity-absorbing purposes, and buys the same amount of foreign currency forward against *lei*;

h) deposit-taking operations – liquidity-absorbing transactions with pre-specified maturity whereby the National Bank of Romania takes deposits from eligible participants;

i) standing facilities – lending facility and deposit facility granted to eligible participants by the National Bank of Romania; eligible participants may access these facilities on their own initiative;

j) lending facility – the possibility for the National Bank of Romania to grant overnight credit to eligible participants;

k) deposit facility – the possibility for the National Bank of Romania to take overnight deposits from eligible participants;

l) swap points – the difference between the exchange rate of the forward transaction and the exchange rate of the spot transaction in a foreign exchange swap;

m) spot transaction – transaction for which the settlement date is value today, value tomorrow or spot;

n) trade date – date on which the transaction is concluded;

o) settlement date – date on which the transaction is settled:

- **value today** – the settlement date coincides with the trade date;
- **value tomorrow** – the settlement date is one business day after the trade date;
- **spot** – the settlement date is two business days after the trade date;

- *forward* – any settlement date subsequent to the spot settlement;
- *O/N – overnight* – the settlement date coincides with the trade date and the maturity is on the next business day;
- *T/N – tomorrow next* – the settlement date is one business day after the trade date and the maturity is one business day after the settlement date;

p) nominal value of the discount certificate of deposit – the redemption value at maturity of the certificate of deposit;

q) bilateral procedures – procedures whereby the National Bank of Romania concludes transactions with one or several eligible participants, without resorting to of tender procedures;

r) holder – the registered owner of a certificate of deposit issued by the National Bank of Romania.

Art. 2. – (1) Eligible participants with which the National Bank of Romania carries out open market operations and to which it grants standing facilities are banks, mortgage loan banks, central bodies of credit co-operatives, building societies, Romanian legal entities, and branches operating in Romania of credit institutions in Member States, or third countries, except the branches operating in Romania of credit institutions issuing e-money, which fulfil the following eligibility criteria:

- in the case of banks, mortgage loan banks, central bodies of credit co-operatives and building societies, Romanian legal entities, the maintenance of minimum reserves and the compliance with the provisions of the National Bank of Romania’s regulations regarding solvency indicators;
- in the case of branches operating in Romania of credit institutions in Member States, or third countries, except the branches operating in Romania of credit institutions issuing e-money, the maintenance of minimum reserves and the certification, at least annually, by the banking supervisory authority in the country of origin that the respective foreign credit institution observes the prudential regulations in force in the country of origin.

(2) Compliance with the provisions of para. (1) shall be based on the information contained in the latest reports transmitted in due time, according to the regulations on solvency indicators.

(3) In order to participate, on a bilateral basis, in the open market operations in *lei* performed by the National Bank of Romania, eligible participants shall have specific communication means such as Reuters, Bloomberg, etc., specific equipment for payments and communications (telephone call recording system, telex, SWIFT, fax, etc.).

(4) In order to participate in the open market operations and lending facilities of the National Bank of Romania implying transactions in government securities and/or certificates of deposit, the banks, mortgage loan banks, central bodies of credit co-operatives, building societies, Romanian legal entities, and branches operating in Romania of credit institutions in Member States, or third countries, except the branches operating in Romania of credit institutions issuing e-money, shall be participants in the depository and settlement system – SaFIR.

Art. 3. – The open market operations of the National Bank of Romania may be carried out alternatively or simultaneously, depending on market conditions and in line with the National Bank of Romania’s monetary policy objectives and are based on the National Bank of Romania’s decision of intervention in the money market.

CHAPTER II

Eligible assets

Art. 4. – The eligible assets for trading and collateralisation shall comprise government securities, certificates of deposit issued by the National Bank of Romania, as well as other classes of negotiable eligible assets established by a decision of the National Bank of Romania Board.

Art. 5. – Eligible assets for trading and collateralisation shall be valued on a daily basis by the National Bank of Romania at the adjusted value, calculated by deducting haircuts, expressed as a percentage, from the market value set by the National Bank of Romania for all classes of eligible assets. The market value as well as the haircuts related to eligible assets for trading and collateralisation shall be made available to participants by the National Bank of Romania via communication means specific to SaFIR.

Art. 6. – Eligible assets for trading and collateralisation shall fulfil the following conditions cumulatively, as the case may be:

- a) they shall be owned by the eligible participant;
- b) they shall not be pledged or put under distraint;
- c) they shall fall due subsequent to the maturity of the operation carried out;
- d) they shall have coupons falling due subsequent to the maturity of the operation carried out;
- e) they shall not be issued by the eligible participant.

CHAPTER III

Open market operations

Art. 7. – The open market operations of the National Bank of Romania shall consist of the following types of transactions:

- a) reverse purchases/sales – repo/reverse repo – of eligible assets;
- b) credit operations against eligible assets as collateral;
- c) outright sales/purchases of eligible assets;
- d) issuance of certificates of deposit;

- e) foreign exchange swaps;
- f) deposit-taking operations.

Art. 8. – The maturity of open market operations shall not exceed 90 calendar days, except for those executed based on the transactions provided for under Art. 7 let. d), for which the maximum maturity is one year.

Art. 9. – Open market operations shall be carried out as follows:

- through tender – on a competitive multiple basis, for transactions provided for under Art. 7 let. a), b), d), e) and f); these transactions may also be carried out through bilateral procedures – on a bilateral basis, except for those set forth in Art. 7 let. b) and d);
- through bilateral procedures – on a bilateral basis, in the case of transactions provided for under Art. 7 let. c).

Art. 10. – **(1)** In the case of reverse purchases/sales – repo/reverse repo – of eligible assets, the ownership of the assets is transferred to the creditor during the period of transaction.

(2) The redemption price of eligible assets shall consist of the sale price and the due interest on the sold assets. The interest rate applied is a simple interest rate, with the day-count convention “ACTUAL/360”.

(3) The adjusted value of eligible assets underlying reverse purchases/sales – repo/reverse repo – shall at any time cover their redemption value.

Art. 11. – **(1)** In the case of credit operations against eligible assets as collateral, the interest rate applied shall be a simple interest rate, with the day-count convention “ACTUAL/360”.

(2) The adjusted value of the eligible assets pledged as collateral shall cover 100 percent of the loan and the due interest.

Art. 12. – **(1)** The certificates of deposit issued by the National Bank of Romania shall constitute its debt obligation towards the holders of these instruments and shall be marketable. The features of the issues of certificates of deposit shall be established by operating procedures and shall be valid for both primary and secondary market operations.

(2) The National Bank of Romania shall issue paperless, *lei*-denominated certificates of deposit.

(3) The certificates of deposit shall be issued at discount, at a value lower than the nominal value (discount value) and are redeemed at maturity at the nominal value. The difference between the issue value and the nominal value equals the interest paid at maturity on the amount paid at issue by the holder. The interest rate applied shall be a simple interest rate, with the day-count convention “ACTUAL/360”.

Art. 13. – **(1)** The primary market for the certificates of deposit issued by the National Bank of Romania shall encompass all the operations related to the issue of certificates of deposit.

(2) The participants in the primary market for the certificates of deposit issued by the National Bank of Romania shall be the eligible participants, as defined under Art. 2.

Art. 14. – (1) The secondary market for the certificates of deposit issued by the National Bank of Romania shall encompass all the selling and buying operations, as well as other operations with debt-free certificates of deposit outstanding.

(2) The secondary market operations in certificates of deposit issued by the National Bank of Romania shall be carried out during the outstanding period, according to SaFIR rules.

(3) The participants on the secondary market for certificates of deposit issued by the National Bank of Romania shall be the banks, mortgage loan banks, central bodies of credit co-operatives, building societies, Romanian legal entities, and branches operating in Romania of credit institutions in Member States, or third countries, except the branches operating in Romania of credit institutions issuing e-money that are participants in the depository and settlement system – SaFIR. They may perform transactions only in their own name and account.

(4) The depositing of certificates of deposit and the settlement of primary and secondary operations in certificates of deposit shall be performed within SaFIR, in accordance with its regulations.

Art. 15. – (1) When the National Bank of Romania takes deposits from eligible participants, the deposit rate is pre-specified and is calculated as a simple interest rate, with the day-count convention “ACTUAL/360”.

(2) Interest shall be paid at maturity of the deposit.

Art. 16. – The transactions that constitute open market operations of the National Bank of Romania shall be concluded and carried out in compliance with the provisions of the National Bank of Romania’s regulations on operations in government securities performed through the National Bank of Romania in its capacity as State agent, on the functioning of the interbank money market, on foreign exchange operations, as well as with the provisions of the codes of conduct issued by the professional associations of market operators, which are approved by the National Bank of Romania, as the case may be.

CHAPTER IV

Standing facilities

SECTION 1

Lending facility

Art. 17. – Eligible participants may use the lending facility – marginal lending facility – in order to obtain overnight liquidity from the National Bank of Romania.

Art. 18. – **(1)** Eligible participants specified under Art. 2 may have access to the marginal lending facility granted by the National Bank of Romania provided they submit a written request to the Market Operations Department, duly signed by authorised persons and bearing the stamp of the institution, which shall include at least the following elements, the listing of which is not limitative:

- the identification elements of the eligible participant;
- the amount to be deposited;
- the type and value of the underlying assets.

(2) By the end of the business day, the National Bank of Romania shall notify the requesting eligible participants about its decision regarding their requests.

Art. 19. – The maturity of the credit extended under this facility shall be overnight.

Art. 20. – **(1)** The marginal lending rate shall be established by the National Bank of Romania Board in accordance with the monetary policy objectives and represents, as a rule, the highest interest rate used in the banking system.

(2) The marginal lending rate shall be announced in advance by the National Bank of Romania and is calculated as a simple interest rate, with the day-count convention “ACTUAL/360”.

(3) The National Bank of Romania may change the interest rate at any time, with effect on the marginal credit facility granted no earlier than the following business day.

(4) Marginal lending rate shall be payable with the repayment of the credit.

Art. 21. – The marginal lending facility may be granted provided that credit is collateralised with eligible assets. The underlying assets shall be established before the credit is granted and their adjusted value shall cover 100 percent of the loan and due interest.

Art. 22. – The credit shall be repaid in the next business day when the maturity date is a non-business day.

Art. 23. – In exceptional cases, the National Bank of Romania Board may limit or suspend the access of eligible participants to the marginal lending facility.

SECTION 2
Deposit facility

Art. 24. – (1) Eligible participants shall be allowed to make deposits with the National Bank of Romania in order to make use of their liquidity surplus.

(2) The maturity of these deposits accepted by the National Bank of Romania shall be overnight.

(3) The deposits taken shall be remunerated at a fixed interest rate.

Art. 25. – (1) Eligible participants specified under Art. 2 may have access to the deposit facility granted by the National Bank of Romania provided they submit a written request to the Market Operations Department, duly signed by authorised persons and bearing the stamp of the institution, which shall include at least the following elements, the listing of which is not limitative:

- the identification elements of the eligible participant;
- the amount to be deposited.

(2) By the end of the business day, the National Bank of Romania shall notify the requesting eligible participants about its decision regarding their requests.

Art. 26. – In exceptional cases, the National Bank of Romania Board may suspend the access of eligible participants to the deposit facility.

Art. 27. – (1) The interest rate on the deposit facility is established by the National Bank of Romania Board in accordance with the monetary policy objectives.

(2) The interest rate shall be announced in advance by the National Bank of Romania and shall be calculated as a simple interest rate, with the day-count convention “ACTUAL/360”.

(3) The National Bank of Romania may change the interest rate at any time, with effect on the deposits taken no earlier than the following business day.

(4) Interest on deposits shall be payable at maturity of the deposit.

CHAPTER V
Open market operations performed through tender

Art. 28. – (1) The National Bank of Romania may carry out fixed- or variable-rate tenders.

(2) In the case of fixed-rate tenders, the National Bank of Romania shall specify in advance the interest rate/price/swap points and the eligible participants bid the amounts they are willing to transact at this interest rate/price/swap point.

(3) In the case of variable-rate tenders, the National Bank of Romania may specify in advance the minimum/maximum accepted interest rate/price/swap points and the eligible participants submit bids for the amounts and interest rates/price/swap points at which they are willing to transact with the National Bank of Romania.

Art. 29. – The tender procedure shall be performed in four operational steps: tender announcement, submission of bids by the eligible participants, allotment of amounts, and announcement of tender results.

1. Announcement of tender

Art. 30. – The National Bank of Romania shall announce publicly in advance the technical details of tender procedures through specific communication means, such as telex, fax, Reuters, Bloomberg, e-mail.

Art. 31. – The tender announcement shall contain the following elements, the listing of which is not limitative:

- reference number of the tender;
- date of tender;
- type of operation;
- maturity;
- type of tender – fixed- or variable-rate tender;
- method of allotment – multiple rate method or single rate method;
- intended operation volume, as the case may be;
- identification elements of government securities/certificates of deposit, as the case may be;
- interest rate/price/swap points, in the case of fixed-rate tender;
- minimum/maximum accepted interest rate/price/swap points, in the case of variable-rate tender;
- start date and maturity date of the operation, as the case may be, and maturity date of the instrument, in the case of issuance of certificates of deposit;
- currencies traded, in the case of foreign exchange swaps;
- reference spot exchange rate to be used for the calculation of bids, in the case of foreign exchange swaps;
- maximum bid limit (as the case may be);
- minimum allotment (as the case may be);
- deadline for the submission of bids.

2. Tender bids

Art. 32. – (1) Eligible participants shall submit the bids to the National Bank of Romania in a format that is acceptable to the latter, i.e. in writing, fax, SWIFT, e-mail, etc.

(2) The submitted bids shall be not revocable, representing firm commitments of the eligible participants.

(3) Eligible participants shall be in a position to cover their tender bids by a sufficient amount of eligible underlying assets, in accordance with the present Regulation.

Art. 33. – The tender bids submitted by eligible participants shall contain the following elements, the listing of which is not limitative:

- reference number of the tender;
- identification elements of the eligible participant;
- type of operation;
- date of tender;
- amount of the bid;
- interest rate/price/swap points;
- identification elements of government securities/certificates of deposit, as the case may be;
- settlement (issue) date for the issue of certificates of deposit.

Art. 34. – (1) In the case of variable-rate tenders, the tender bids shall contain up to three options for different amounts and/or interest rates/prices/swap points.

(2) The interest rates and the prices shall be expressed in annualised terms and shall have two decimals.

Art. 35. – (1) Bids with fundamental flaws shall be invalidated.

(2) Bids with faulty drafting may be rectified, in accordance with the provisions of the operating procedures stipulated under Art. 43, with the mutual agreement of the National Bank of Romania and the bidding eligible participant, provided the latter confirms the rectification by the deadline for the submission of bids through one of the manners stipulated under Art. 32 para. (1).

3. Allotment procedures

Art. 36. – In the case of fixed-rate tenders, when the aggregate amount bid exceeds the amount to be allotted by the National Bank of Romania, bids shall be satisfied *pro rata*, based on the ratio of the amount to be allotted to the aggregate amount bid.

Art. 37. – (1) In the case of variable-rate tenders, bids shall be satisfied increasingly or decreasingly, until the level at which demand meets supply or monetary policy objectives of the National Bank of Romania are fulfilled, as follows:

- in the case of a liquidity-providing tender: decreasingly, starting with the bid with the highest interest rate, for reverse purchases – repo – of eligible assets, credit operations against eligible assets as collateral, and foreign exchange swaps;
- in the case of a liquidity-absorbing tender: increasingly, starting with the bid with the lowest interest rate, for reverse sales – reverse repo, issuance of certificates of deposit, deposit-taking operations, and foreign exchange swaps.

(2) Bids situated at the marginal level shall be satisfied proportionally.

Art. 38. – The procedures applied in order to determine the results of the tender shall be:

- multiple rate auction procedure – every winning bid is satisfied at the level at which it was expressed by the eligible participant;
- single rate auction procedure – every winning bid is satisfied at the marginal level at which the allotted amount was exhausted, irrespective of the levels at which they were expressed by the eligible participants.

4. Announcement of tender results

Art. 39. – (1) After the determination of the tender results, the accepted bids shall be notified to the eligible participants by telex, SWIFT, e-mail or other means.

(2) The results of the tender operation shall be announced publicly through the specific communication means, such as Reuters, Bloomberg.

(3) The announcement of operation results shall generally contain the following elements:

- reference number of tender;
- date of tender;
- type of operation;
- maturity of the operation;
- total amount bid by the eligible participants;
- number of eligible participants with validated bids;
- currencies traded – only in the case of foreign exchange swaps;
- total amount allotted;
- percentage of allotment – only in the case of fixed-rate tenders;
- minimum bid rate, maximum bid rate and weighted average allotment rate – only in the case of variable-rate tenders;

- the marginal interest rate/price/swap points accepted and the percentage of allotment at the marginal interest rate/price/swap points – only in the case of variable-rate tenders;
- spot exchange rate – only in the case of foreign exchange swaps.

CHAPTER VI

Final and transitory provisions

Art. 40. – The framework for the open market operations performed by the National Bank of Romania with eligible participants, as well as the conditions for the marginal lending facility, for collateralisation and for accepting the deposits taken by the National Bank of Romania from eligible participants shall be those specified by the present Regulation and by the operating procedures stipulated under Art. 43.

Art. 41. – **(1)** When an eligible participant fails to fulfil the obligations incumbent on it, in regard to observing the deadline for settlement of the operations performed with the National Bank of Romania, it shall be liable to a penalty rate, calculated daily for each day of delay, equal to the average interest rate on the National Bank of Romania's operations plus the BUBID-ON rate for each day of delay. The resulting amounts shall be transferred to the settlement account of the National Bank of Romania open with ReGIS, in accordance with system regulations.

(2) The National Bank of Romania may stop unconditionally, unilaterally and without prior notice any operation in progress governed by the present Regulation, whenever the eligible participants fail to fulfil their legal and/or contractual obligations and it may decide to temporarily or permanently suspend their participation in monetary operations with the National Bank of Romania, as the case may be.

(3) When the eligible participants' failure to observe the obligations set forth under para. (1) affects the monetary policy objectives of the National Bank of Romania, the latter shall apply sanctions according to the provisions of Art. 229, 235 and 236 of Government Emergency Ordinance No.99/2006 on credit institutions and capital adequacy, as approved, amended and supplemented by Law No.227/2007.

(4) When the borrowed eligible participant has not fully reimbursed the credit granted and/or has not fully paid the due interest on the maturity date, the National Bank of Romania shall proceed to the foreclosure on collateral, according to the provisions of Art. 50 para. (3) of Law No.312/2004 on the Statute of the National Bank of Romania.

Art. 42. – The present Regulation shall come into force 30 days after its publication in *Monitorul Oficial al României*, Part One.

Art. 43. – Before the date the present Regulation comes into force, the Market Operations Department in the National Bank of Romania shall draw up operating procedures for the operations governed by the present Regulation. These operating procedures shall be approved through an Order of the Governor of the National Bank of Romania.

Art. 44. – On the date the present Regulation comes into force, the following Norms shall be abrogated: Norms on refinancing tenders, published in *Monitorul Oficial al României*, Part One, No. 217 of 29 October 1991, National Bank of Romania Regulation No. 3/1995 regarding the conditions and the operating procedures for banks' refinancing by the National Bank of Romania, published in *Monitorul Oficial al României*, Part One, No. 164 of 27 July 1995, National Bank of Romania Norms No. 12/1995 regarding the collateralisation of refinancing credits granted to banks by the National Bank of Romania, published in *Monitorul Oficial al României*, Part One, No. 213 of 19 September 1995, as well as any other contrary provisions.

Chairman of the National Bank of Romania Board,

Mugur Constantin Isărescu