

Notice for credit institutions subject to reserve requirements and their branches on the calculation of required reserves

The Magyar Nemzeti Bank (MNB) regulates its reserves requirement system by means of

- MNB Decree 10/2005. (VI. 11.) on the calculation, the method of allocation and placement of required reserves (hereinafter: Reserve Decree),
- MNB Decree No 52/2023. (XI. 20.) on the required reserve ratio (hereinafter: Reserve Ratio Decree),
- MNB Decree No 49/2023. (X. 24) on interest rates related to required reserves, and a
- Notice on 'Fees, extra fees, commissions, postal and other costs on payment orders other than cash transactions relating to bank accounts managed by the Magyar Nemzeti Bank, and the order of discharging fees, costs and interest, as well as FX exchange rate margins' (hereinafter: Notice).

The MNB requires the following in relation to the reporting of the reserve base under the Reserve Decree and the Reserve Ratio Decree.

Calculation of the amount of required reserves

A credit institution with an operating licence (including a Hungarian branch of a credit institution with a registered office in a state not party to the Agreement on the European Economic Area) and a Hungarian branch of a credit institution with a registered office and operating licence in (another) Member State party to the Agreement on the European Economic Area (together referred to as a 'credit institution subject to reserve requirements') is obliged to hold required reserves as set out in the Reserve Decree. The obligation to hold reserves applies from the commencement of the period of validity of the operating licence or, in the case of a credit institution having its registered office and operating licence in (another) Member State party to the Agreement on the European Economic Area, from the date of the company registration of the branch in Hungary.

For credit institutions subject to reserve requirements, the MNB imposes a reserve requirement of 10 per cent for the liability category defined in the Reserves Decree by means of the Reserve Ratio Decree from 1 January 2024.

Under Article 3 (3) of the Reserves Decree, the MNB establishes the provisional amount of the reserve requirement of credit institutions subject to reserve requirements on the basis of the monthly average stock of the reserve base as reported in the data report entitled 'Reserve requirement lines of the statistical balance sheets of credit institutions, as well as the amount of cash collateral belonging to securities lending transactions - daily closing balances' (MNB identification code: M06, hereinafter: Reserve Base Data Reporting), and the MNB's Statistics Directorate notifies the credit institutions subject to reserve requirements in writing no later than five working days before the start of the maintenance period.

By the end of the second MNB working day before the start of the maintenance period, the MNB establishes the final amount of the reserve requirement of the credit institution subject to reserve requirements on the basis of the available Reserve Base Data Report. If this amount differs from the provisional amount of required reserves, the final amount will be notified in writing to the credit institution subject to reserve requirements no later than the MNB business day before the start of the maintenance period. The final amount of required reserve of the credit institution subject to reserve requirements will not be affected if, after the final amount of the required reserve has been determined, the credit institution subject to reserve requirements amends its Reserve Base Data Report for the relevant maintenance period.

To determine the reserve base of credit institutions subject to reserve requirements, the MNB takes into account the stock reported in the 'Monthly average stocks' column of the 'Reserve fund amount (1 - 114)' row 115 of Table 01 of the M06 MNB identification code data reported by credit institutions subject to reserve requirements.

Using the amount of the reserve base of credit institutions subject to reserve requirements, the MNB determines the amount of required reserves of credit institutions subject to reserve requirements on the basis of the following multiplication:

Amount of required reserves = (Amount of reserve base) * Required reserve ratio,

where the Required reserve ratio: the reserve ratio set out in Article 1(b) of the Reserve Ratio Decree.

Under Article 4 (1) of the Reserve Decree, the credit institution subject to reserve requirements is obliged to meet the reserve requirement on each calendar day of the maintenance period. In addition, the credit institution subject to reserve requirements is also required to comply with its reserve requirement by applying an average calculation for the calendar days of the maintenance period.

The MNB verifies on a monthly basis whether the reserve requirement of the credit institution subject to the reserve requirements under Article 5 of the Reserve Decree (hereinafter 'reserves holding') reaches the amount of required reserves on each calendar day of the month and whether the reserve requirement for the maintenance period is met on a monthly average basis.

In the case of a respondent credit institution, the balance on the correspondent credit institution's forint bank account with the MNB must also include the amount of the respondent credit institution's required reserves. From the balance on the correspondent credit institution's forint settlement account with the MNB, the MNB will consider as having been fulfilled primarily the required reserves of the respondent credit institution held in the correspondent credit institution's forint settlement account.

If the holding of reserves does not reach the amount of required reserves on each calendar day of the month, or the average monthly amount of reserve holdings does not reach the amount of required reserves (reserve deficit), the MNB may impose sanctions on the credit institution subject to reserve requirements for the shortfalls, as set out in the Reserve Decree.

The MNB pays interest on the amount of reserve holdings as set out in the MNB Decree on interest rates related to required reserves.

In the event that a credit institution subject to reserve requirements ceases to be a credit institution subject to reserve requirements during the maintenance period, e.g. if its operating licence is withdrawn or if the reserve requirement ceases to apply before the last day of the maintenance period, it must comply with the reserve requirement as long as it remains subject to reserve requirements. In this case, the average amount of required reserves for the maintenance period will be determined on the basis of the assumption of a HUF 0 reserve holding, taking into account the calendar days on which the institution is no longer included in the category of credit institutions subject to reserve requirements. The MNB does not sanction reserve deficits in the case of the average of the maintenance period determined by this calculation method, but the MNB sanctions if a credit institution fails to meet reserve requirements on a daily basis.

Contact information

If you have any questions about the required reserves system, please send an email to jbartalek@mnbb.hu.

Credit institutions subject to reserve requirements that are obliged to fulfil their reserve requirements for the first time should send to jbartalek@mnbb.hu at least 8 working days before the start of the maintenance period the only email address, preferably accessible to all their reserve officers, to which the MNB can send their reserve requirement correspondence to them via STEFI.

If the email address of the person(s) responsible for maintaining required reserves changes, please also indicate this at jbartalek@mnbb.hu.