

Introduction

This presentation is a brief description of the monetary operations conducted by the National Bank of Georgia and interbank market operations

The presentation is purely for informative purposes; in business decision-making process, respective legal acts should be used by the banks

National Bank of Georgia
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☐ **Monetary Instruments of NBG**

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Basic Principals of Monetary Operations of NBG

- ❑ **Legal Base:** [Organic Law of Georgia on the National Bank of Georgia](#), Articles 27-34 and relevant NBG regulations
- ❑ **Currency used in Monetary Operations:** Georgian Lari (GEL)
- ❑ **Type of Loans:** Fully collateralized
- ❑ **NBG Operation platform:** mainly auctions in Bloomberg auction platform
- ❑ **Operational systems:** The systems interconnected to each other with secured connections:
 - ❑ Bloomberg electronic trading system
 - ❑ Georgian Securities Settlement System (GSSS) operated by NBG
 - ❑ Real Time Gross Settlement System (RTGS) operated by NBG
 - ❑ Core Banking Module for managing central bank operations operated by NBG

Types of Collateral for Monetary operations of NBG

- ❑ **Regulation:** The financial collateral for monetary operations of the NBG are regulated according to ["Regulation on Financial Collateral Management of the National Bank of Georgia"](#) approved by the NBG Board
- ❑ **Type of Collateral:** The following types of assets are allowed as collateral for monetary operations:
 - ❑ GEL denominated securities issued by the NBG and the Government of Georgia:
 - Certificates of Deposit of NBG;
 - Treasury Bills of the Government of Georgia;
 - Treasury Notes of the Government of Georgia;
 - Government Bonds of the Government of Georgia;
 - ❑ GEL denominated securities issued by International Financial Institutions (IFI)
 - ❑ GEL denominated corporate securities issued by resident and non-resident legal entities through public offering in accordance with the Law of Georgia on the Securities Market, except for securities issued by commercial banks operating in Georgia
 - ❑ Commercial bank loan assets

NBG Certificates of Deposit (CD)

- ❑ **Type**: Short-term discount securities
- ❑ **Purpose**: Absorbing excess liquidity from Banking system
- ❑ **Regulation**: [Regulation on Monetary Operations of NBG](#), Article 12
- ❑ **Term**: 3 months
- ❑ **Participants**: only commercial banks
- ❑ **Frequency of Issue**: Monthly, Tuesdays, 10: 45-11: 00 p.m.
- ❑ **Settlement**: 2nd working day of the auction (T + 2)
- ❑ **Primary Market**: Auction via Bloomberg auction platform
- ❑ **Yield**: Determined using multiple pricing method
- ❑ **Settlement**: GSSS system with RTGS system support, Automated DvP transaction, STP process
- ❑ **Usage as Collateral**: for operations with NBG and other banks, pledged in GSSS system, every business day from 9:40 till 18:40
- ❑ **Other Sources of Usage**: Repo operations, interbank trading

Overnight Deposits

- ❑ **Purpose**: Absorbing excess overnight liquidity from commercial banks and avoiding high fluctuations of short-term interbank money market interest rates
- ❑ **Regulation**: [Regulation on Monetary Operations of NBG](#), Paragraph 11
- ❑ **Term**: one day
- ❑ **Participants**: only commercial banks
- ❑ **Interest Rate**: penalty rate (lower than market rates), Monetary Policy Rate minus 1.75 percentage points
- ❑ **Settlement Infrastructure**: RTGS system
- ❑ **Depositing**: STP, the amount of deposit is determined by a commercial bank without a prior notification to NBG
- ❑ **Time to Deposit**: every business day till 18:55
- ❑ **Repayment**: STP, upon the start of next business day before 10:00

Overnight Loan

- ❑ **Purpose**: Delivering overnight liquidity to commercial banks and avoiding high fluctuations of short-term interbank money market interest rates
- ❑ **Regulation**: [Regulation on Monetary Operations of NBG](#), Paragraph 10
- ❑ **Term**: overnight, collateralized loan
- ❑ **Participants**: only commercial banks
- ❑ **Interest Rate**: penalty rate (higher than the market rate), Monetary Policy Rate plus 0.75 percentage points
- ❑ **Availability**: every business day from 9:40 till 18:40
- ❑ **Loan Application**: via GSSS system, the amount of loan is determined by a commercial bank without a prior notification to NBG
- ❑ **Settlement Infrastructure** : STP process, GSSS system and RTGS system
- ❑ **Repayment**: STP, upon the start of the GSSS business day from 9:40 and no later than 18:40 of repayment day
- ❑ **Collateral Registration**: GSSS system, automatic process, pledge substitution is allowed

Refinancing Loan

- ❑ **Purpose**: Delivering short-term liquidity to commercial banks and influencing short-term interbank money market rates
- ❑ **Regulation**: [Regulation on Monetary Operations of NBG](#), Paragraph 8
- ❑ **Term**: 7 days, collateralized loan
- ❑ **Participants**: only commercial banks
- ❑ **Interest Rate**: determined using multiple pricing method
- ❑ **Auction Application**: via auction, Bloomberg auction platform
- ❑ **Auction Time**: every Wednesday from 15:00 to 15:15
- ❑ **Settlement day**: next business day of the auction (T + 1)
- ❑ **Loan Application**: via GSSS system
- ❑ **Settlement Infrastructure**: GSSS system and RTGS system, automated process
- ❑ **Loan Repayment**: STP, upon the start of the GSSS business day from 9:40 and no later than 18:40 of repayment day
- ❑ **Collateral Registration**: Automated process in GSSS system, pledge substitution is allowed

1M Open Market Instrument (1MOMI)

- ❑ **Purpose**: Delivering short-term liquidity to commercial banks and influencing short-term interbank money market rates
- ❑ **Regulation**: [Regulation on Monetary Operations of NBG](#), Paragraph 8-1
- ❑ **Term**: 28 days, collateralized loan
- ❑ **Participants**: only commercial banks
- ❑ **Interest Rate**: determined using multiple pricing method
- ❑ **Auction Application**: via auction, Bloomberg auction platform
- ❑ **Auction Time**: Wednesday 10: 15-10: 30 p.m.
- ❑ **Settlement day**: next business day (T + 1)
- ❑ **Loan Application**: via GSSS system
- ❑ **Settlement Infrastructure**: GSSS system initiated RTGS system, automated process
- ❑ **Loan Repayment**: STP, upon the start of the GSSS business day from 9:40 and no later than 18:40 of repayment day
- ❑ **Collateral Registration**: Automated process in GSSS system, pledge substitution is allowed

Open Market Operations (OMO)

- ❑ **Purpose**: Purchase or sale of government securities on the secondary securities market by NBG for the purpose of supplying or absorbing GEL liquidity.
- ❑ **Regulation**: [Regulation on Monetary Operations of the NBG](#), Article 13
- ❑ **Participants**: only commercial banks
- ❑ **Auction Application**: via auction, Bloomberg auction platform
- ❑ **Auction time**: mostly once in a month, Wednesday 12: 00-12: 15
- ❑ **Settlement day**: Next business day (T + 1)
- ❑ **Settlement Infrastructure**: GSSS system and RTGS system, DvP transaction, automated process

Intra-day Loan

- ❑ **Purpose**: Delivering necessary liquidity to commercial banks for intraday settlement operations
- ❑ **Regulation**: [Regulation on Monetary Operations of NBG](#), Paragraph 9
- ❑ **Term**: During the business day
- ❑ **Participants**: only commercial banks
- ❑ **Interest Rate**: 0%
- ❑ **Availability**: Initiation of a commercial bank through GSSS and RTGS systems, every working day from 9:40 to 18:40
- ❑ **Settlement**: RTGS system, automatic process
- ❑ **Repayment**: STP, RTGS system
- ❑ **Collateral Registration**: Automated process in GSSS system, pledge substitution is allowed

Last Resort Loan

- ❑ **Purpose**: Delivery necessary funds to commercial banks with acute and temporary liquidity problems in special cases
- ❑ **Regulation**: Regulation of NBG on granting last resort loans to commercial banks
- ❑ **Decision to Grant the Loan**: NBG Board
- ❑ **Term**: no more than 3 months; under special circumstances, longer term is allowed
- ❑ **Participants**: only commercial banks
- ❑ **Interest Rate**: no less than the interest rate for overnight loans of NBG
- ❑ **Settlement**: RTGS system
- ❑ **Loan Repayment**: Automated process on loan repayment day
- ❑ **Collateral Registration**: In case of pledge of securities GSSS system, and in case of other assets - in the mortgage registrar of such assets

Minimum Reserve Requirements

- ❑ **Purpose**: Supporting monetary policy of NBG
- ❑ **Regulation**: [Regulation on Maintenance of Minimum Reserves Requirements by Commercial Banks](#)
- ❑ **Participants**: only commercial banks
- ❑ **Reserve Requirement**: on attracted funds by commercial banks
- ❑ **Reserve Rates**: 5% in GEL, 10-25% in foreign currency, depending on the deposit dollarization ratio of each commercial bank
- ❑ **Depositing the Reserves**: Reserve accounts at NBG
- ❑ **Maintenance Period**: 14 days
- ❑ **Required Reserves in GEL**: At least the average amount of the period in the GEL correspondent account at NBG
- ❑ **Required Reserves in FX**: Fixed amount in a special reserve account at NBG
- ❑ **Remuneration rate for GEL Reserve**: NBG Monetary Policy Rate
- ❑ **Remuneration rate for FX Reserve**: 0%

NBG FX Interventions

- ❑ **Purpose**: Buying / selling foreign currency in the interbank foreign exchange market
- ❑ **Regulation**: [Regulation of NBG on Monetary Operations](#), Article 14; 14-1 and 14-2
- ❑ **Type of operations**: buying / selling foreign currency
- ❑ **Participants**: Commercial Banks
- ❑ **NBG Currency Intervention Form**:
 - ❑ FX Auction through Bloomberg Auction Module
 - ❑ Bmatch interventions on the Bloomberg Bmatch platform
- ❑ **Intervention time**: mainly during the period 15:45-16:00 for FX auction and during the business hours for Bmatch intervention
- ❑ **Settlement day**: Next business day of the auction (T + 1)
- ❑ **Settlement Process**: Transactions obtained as a result of FX Auction and Bmatch interventions are automatically imported from the Bloomberg system and automatic settlement process is started on settlement day through Core Banking Module and RTGS system.

Interbank FX Market: Spot

- ❑ **Purpose**: Foreign currencies trading on interbank FX market
- ❑ **Regulation**: Rules for Foreign Currency Trading via the Bloomberg Trade Platform
- ❑ **Operation Type**: buy/sell foreign currencies
- ❑ **Participants**: Commercial Banks and big Microfinance institutions; also some companies
- ❑ **Interbank FX Trading System**: Mainly Bloomberg Trading System
 - ❑ RFQ platform: direct transaction between parties, unlimited time 24/7
 - ❑ Bmatch Platform: An automatic transaction between the counterparties in case of matching the exchange rate of their bids and asks during working days from 10:00 to 18:00
- ❑ **Settlement day**:
 - ❑ RFQ platform: according the deal between counterparties $T + 0$; $T + 1$ or $T + 2$; mainly $T + 0$
 - ❑ Bmatch platform: only $T + 1$
- ❑ **Settlement process**: Payment in GEL via RTGS system, payment in foreign currency via SWIFT system.

Interbank FX Market: Forward

- ❑ **Purpose**: For commercial banks and other companies to hedge their exposure to foreign exchange risk
- ❑ **Participants**: commercial banks on their behalf and/or on behalf of export/import companies
- ❑ **Term**: ON, 1W, 2W, 1M, 2M, 3M, 6M, 1Y
- ❑ **Price Quotation**: by commercial banks via Bloomberg system
- ❑ **Trading Platform**: Bloomberg FX trading platform,
- ❑ **For Exporters**: minimizing exposure from potential GEL appreciation
- ❑ **For Importers**: minimizing exposure from potential GEL depreciation
- ❑ **Settlement Infrastructure**: RTGS system for GEL transactions; SWIFT system for foreign currency transactions

Interbank Money Market

- ❑ **Purpose**: Short-term excess liquidity trading on interbank money market
- ❑ **Regulation**: [NBG regulation on TIBR Index calculation](#)
- ❑ **Participants**: Commercial Banks
- ❑ **Term**: Mostly overnight interbank loans / deposits
- ❑ **Trading Platform**: Bloomberg trading platform
- ❑ **TIBR Indices**: NBG has been calculating and publishing TIBR interest rates based on real transactions in the interbank money market since 2009, which were reformed during 2018-2021:
 - ❑ TIBR Rate - Updated from August 2018
 - ❑ TIBR Term Rates – Launched in March 2019, calculated based on TIBR rate
 - ❑ TIBR Compounding Index - Launched in October 2021
- ❑ **Usage**: used by financial market participants for various financial instruments and products.
- ❑ **Statistic Data**

Interbank Secondary Market of Securities

- ❑ **Purpose**: sale and/or purchase the securities on the secondary market for the purpose of investment portfolio creation, dealing operations and / or current liquidity management
- ❑ **Participants**: all commercial banks
- ❑ **Securities**: NBG Certificates of Deposit, Treasury Bills and Treasury Notes of the Government of Georgia,
- ❑ **Type of Deal**: Buy / Sell
- ❑ **Settlement Infrastructure**: GSSS system, supported by RTGS system
- ❑ **Trading platform**: Bloomberg trading system, or other means by agreement of the parties
- ❑ **Trade in Bloomberg system**: Deal from Bloomberg system is imported through STP process in GSSS system for settlement
- ❑ **Trade outside the Bloomberg system**: The parties enter the trade data into the GSSS system for settlement
- ❑ **Transaction processing**: STP process in GSSS system, DvP transactions with RTGS supports on settlement day, during from 09:40 to 18:40 of each business day of GSSS system

Interbank Repo Operations

- ❑ **Purpose**: Collateralized borrowing/lending on the interbank market
- ❑ **Regulation**: Repo Master Agreement
- ❑ **Participants**: Commercial Banks
- ❑ **Securities**: NBG Certificates of Deposit, Treasury Bills and Treasury Bonds of the Government of Georgia,
- ❑ **Type of Deal**: Repo operation
- ❑ **Settlement**: GSSS System with support of RTGS system
- ❑ **Trading platform**: Bloomberg trading system, or other means by agreement of the parties
- ❑ **Trade in Bloomberg system**: Deal from Bloomberg system is imported through STP process in GSSS system
- ❑ **Trade outside the Bloomberg system**: The parties themselves enter the deal data in the GSSS system for settlement
- ❑ **The first leg settlement**: STP process, GSSS system automatically executes DvP transaction
- ❑ **The second leg settlement (repo repayment)**: STP process, at the beginning of the repayment day, the GSSS system automatically executes the DvP transaction
- ❑ **Settlement period**: GSSS system business day from 09:40 to 18:40