

Central Bank Extends Loan Terms to Give Russian Banks More Latitude

By [The Moscow Times](#)

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Russia's Central Bank said on Friday it would extend the term of loans guaranteed by non-marketable assets or by gold by six months to give banks more flexibility to manage liquidity.

The Central Bank has been steadily easing the terms on which it provides long-term refinancing to banks, as banks complain of tight liquidity conditions and a lack of long-term funding.

Liquidity in the banking sector has been squeezed this year due to a combination of risk aversion towards emerging markets and by investor concerns over Moscow's foreign policy towards Ukraine.

The Central Bank said it would extend the length of loans guaranteed by non-marketable assets, gold or by guarantees to 18 months from 12 months, effective as of June 30. Interest rates on the loans will also be linked to the Central Bank's benchmark rate instead of being

fixed, it said.

Non-marketable assets and guarantees most commonly refer to banks' credit claims on their clients, a less liquid form of collateral than securities, which banks use to secure short-term repo refinancing.

The Central Bank, in a statement, said that new loans of 549 days will for now carry the same interest rates as the loans previously extended up to 365 days, which is 9.25 percent for loans secured by non-marketable assets or guarantees and 9 percent for gold-backed loans.

However, from June 20 loans for 91 days to 549 days will be provided at a floating interest rate linked to the bank's key lending rate.

This would "enhance the impact of interest rate policy on the economy, as the Bank of Russia's key rate movements will be reflected in the cost of funds previously provided to credit institutions by the Bank of Russia," the Central Bank said.

Its key lending rate, the one-week repo rate, stands at 7.5 percent, implying an initial spread over the key rate of 1.75 percentage points. For gold-backed loans it would be 1.5 percentage points.

Russian banks have long been pressing for more flexible sources of refinancing as their loan growth continues to outstrip weak growth in deposits, creating funding pressure on banks.

Vladimir Kolychev, an analyst at VTB Capital in Moscow, said that the Central Bank's other long-term refinancing facility, loans for banks secured against investment projects of up to three years, looked more attractive.

Those loans are provided at a floating rate determined as 1 percentage point below the central bank key rate.

"The interest rates are very high," he said, referring to the facilities secured against non-marketable assets and guarantees or gold.

The Central Bank said it would keep the terms of its existing loan facilities that range from two to 90 days, secured by non-marketable assets and gold, unchanged.

See more:

[Central Bank Keeps Interest Rate Unchanged For Now](#)

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