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GUIDELINE OF THE EUROPEAN CENTRAL BANK

of 20 February 2014

on domestic asset and liability management operations by the national central banks

(ECB/2014/9)

(2014/304/EU)

(OJ L 159, 28.5.2014, p. 56)

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**GUIDELINE OF THE EUROPEAN CENTRAL BANK****of 20 February 2014****on domestic asset and liability management operations by the national central banks***(ECB/2014/9)*

(2014/304/EU)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union, and in particular the first indent of Article 127(2) thereof,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank, and in particular Articles 12.1 and 14.3 thereof,

Whereas:

- (1) The achievement of the single monetary policy requires that the European Central Bank (ECB) specifies the general principles to be followed by the national central banks of Member States whose currency is the euro (hereinafter the 'NCBs') when carrying out domestic operations in assets and liabilities on their own initiative; such operations should not interfere with the single monetary policy.
- (2) Repurchase agreements entered into by NCBs with non-Euro-system national central banks may have an impact on euro liquidity and hence on the single monetary policy once they are activated. Therefore, to better safeguard the integrity of the single monetary policy, the Governing Council decided on 22 October 2009 that its prior approval should be required for certain liquidity arrangements entered into by NCBs with non-Eurosystem national central banks.
- (3) Limitations on the remuneration of government deposits held with NCBs as fiscal agents pursuant to Article 21.2 of the Statute of the European System of Central Banks and of the European Central Bank (hereinafter the 'Statute of the ESCB') must be specified to preserve the integrity of the single monetary policy, and in order to provide incentives for government deposits to be placed in the market, so as to facilitate the Eurosystem's liquidity management and monetary policy implementation. In addition, the introduction of a ceiling on the remuneration of government deposits based on money market rates facilitates the monitoring of the NCBs' compliance with the prohibition on monetary financing carried out by the ECB in accordance with Article 271(d) of the Treaty.

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- (4) In view of the exceptional and temporary nature of the government deposits related to European Union/International Monetary Fund and other comparable financial support programmes, the applicable procedures should not restrict the ability of a national government to maintain deposits with its NCB, not least because the holding of such deposits may be part of the conditions of the relevant programme. The exclusion of such deposits from the threshold amount does not interfere with the single monetary policy to the same extent as the holding of government deposits in other Member States whose currency is the euro,

HAS ADOPTED THIS GUIDELINE:

Article 1

Scope of application

1. This Guideline shall apply to all NCB operations involving euro amounts, including operations conducted by NCBs either as principal on their own behalf or as agent on behalf of third parties or as both principal and agent at the same time. The following operations are not subject to this Guideline:

- (a) standing facilities and operations executed by NCBs on the ECB's initiative, in particular, operations carried out in accordance with Guideline ECB/2011/14 ⁽¹⁾;
- (b) transactions in precious metals and foreign exchange operations against the euro, which are covered by Guideline ECB/2003/12 ⁽²⁾;
- (c) operations of NCBs related to emergency liquidity assistance.

2. Articles 7 and 8 shall not apply to operations that NCBs carry out:

- (a) while acting as fiscal agents pursuant to Article 21.2 of the Statute of the ESCB;
- (b) for their administrative purposes or for their staff pursuant to Article 24 of the Statute of the ESCB;
- (c) while managing a pension fund for their staff;
- (d) while operating a deposit scheme for their staff or other customers;
- (e) while transferring their profit to the government.

⁽¹⁾ Guideline ECB/2011/14 of 20 September 2011 on monetary policy instruments and procedures of the Eurosystem (OJ L 331, 14.12.2011, p. 1).

⁽²⁾ Guideline ECB/2003/12 of 23 October 2003 for participating Member States' transactions with their foreign exchange working balances pursuant to Article 31.3 of the Statute of the European System of Central Banks and of the European Central Bank (OJ L 283, 31.10.2003, p. 81).

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Operations conducted by an NCB's staff pension fund that is managed by an autonomous institution shall be exempt from Articles 6 and 9. In addition, the *ex-post* reporting requirements of Articles 6 and 9 shall not apply to operations carried out by NCBs for their administrative purposes or deposit transactions related to current accounts that staff and other customers hold at NCBs.

3. Except for the *ex-post* reporting requirements in Article 6(1), this Guideline shall not apply to operations within the framework of Euro-system reserve management services.

4. Without prejudice to paragraph 1 above, Articles 5 and 11 shall apply to government deposits denominated in euro or in a foreign currency.

Article 2

Definitions

For the purposes of this Guideline:

- (a) 'repurchase agreement' means an agreement by which an NCB and a non-euro area national central bank agree to enter into one or more specific repurchase transactions. In a repurchase transaction, one party agrees to purchase from (or sell to) the other party securities denominated in euro against payment of an agreed price in euro on the trade date, with a simultaneous agreement to sell to (or purchase from) the other party equivalent securities against payment of another agreed price in euro at the maturity date;
- (b) 'government' means all public entities of a Member State or any public entities of the Union mentioned in Article 123 of the Treaty, as interpreted in the light of Council Regulation (EC) No 3603/93 ⁽¹⁾, except for publicly owned credit institutions which, in the context of the supply of reserves by NCBs, are given the same treatment by NCBs and the ECB as private credit institutions;
- (c) 'government deposits' means overnight and fixed term deposits accepted by NCBs from any government, including deposits held in foreign currencies;
- (d) 'unsecured overnight market rate' means: (a) with regard to overnight deposits in domestic currency, the euro overnight index average rate (EONIA); (b) with regard to overnight deposits in a foreign currency, a comparable rate;

⁽¹⁾ Council Regulation (EC) No 3603/93 of 13 December 1993 specifying definitions for the application of the prohibitions referred to in Article 104 and 104b(1) of the Treaty (OJ L 332, 31.12.1993, p. 1).

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- (e) ‘secured market rate’ means: (a) with regard to fixed term deposits in domestic currency, the STOXX EUR GC Pooling term indices with a comparable maturity; and (b) with regard to fixed term deposits in foreign currency, a comparable rate;

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- (f) ‘gross domestic product’ means the value of an economy's total output of goods and services, less intermediate consumption, plus net taxes on products and imports, in a specified period;
- (g) ‘deposit facility rate’ means the pre-specified interest rate that is applied to counterparties who use the Eurosystem deposit facility to make overnight deposits with an NCB.

*Article 3***Organisational issues**

1. NCBs shall make, and the Executive Board shall monitor, the appropriate arrangements to enable counterparties to distinguish between operations carried out by NCBs under this Guideline and European System of Central Bank operations carried out by NCBs in accordance with the instruments and procedures specified in Guideline ECB/2011/14.
2. NCBs shall make the appropriate arrangements to ensure that confidential monetary policy information is not used by NCBs in carrying out operations covered by this Guideline.
3. NCBs shall inform the ECB of the arrangements established in accordance with paragraphs 1 and 2.

*Article 4***Prior approval of repurchase agreements with non-Eurosystem national central banks**

1. Before NCBs enter into repurchase agreements with non-Eurosystem national central banks, they shall submit these agreements to the ECB for the Governing Council's prior approval.
2. NCBs shall submit their requests for prior approval to the ECB as far in advance as possible before the envisaged date for entering into the repurchase agreements. Each request shall contain as a minimum the following information:
 - (a) identity of the counterparty to the repurchase agreement;
 - (b) purpose of the repurchase agreement;
 - (c) to the extent already available, amount and dates of the specific repurchase transactions; the envisaged aggregated amount of such transactions;

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(d) maturity of the repurchase agreement and, to the extent already available, maturity of the specific repurchase transactions to be entered into;

(e) any other information considered relevant by the NCB submitting the request.

3. The Governing Council shall respond to each request as soon as possible and in any case no later than 40 business days following receipt of the request.

4. When receiving a request for prior approval, the Governing Council shall have regard to:

(a) the primary objective of ensuring the integrity of monetary policy;

(b) the preservation of the effectiveness of euro liquidity management by the Eurosystem;

(c) a coordinated Eurosystem approach with respect to the conduct of repurchase transactions with non-Eurosystem national central banks;

(d) a level-playing field for all credit institutions located in a Member State whose currency is the euro.

5. If the Governing Council considers that a repurchase agreement would not be in line with the objectives specified in paragraph 4, it may either require that the repurchase agreement submitted for its approval is:

(a) entered into at a later date than that originally planned; or

(b) subject to specific amendments and resubmitted for approval before it can be entered into by the relevant NCB.

6. The Governing Council shall endeavour to accommodate the NCBs' requests for prior approval taking into account the principles of proportionality and non-discrimination.

Article 5

Limitations on remuneration of government deposits

1. Remuneration of government deposits shall be subject to the following ceilings:

(a) for overnight deposits, the unsecured overnight market rate;

(b) for fixed term deposits, the secured market rate or, if not available, the unsecured overnight market rate.

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2. On any calendar day, the total amount of overnight and fixed term deposits of all governments with an NCB exceeding the higher of either: (a) EUR 200 million; or (b) 0,04 % of the gross domestic product of the Member State in which the NCB is domiciled, shall be remunerated with an interest rate of zero per cent. If the deposit facility rate on this day is negative, then an interest rate no higher than the deposit facility rate shall apply. This provision shall be subject to Article 11, which shall only apply to the outstanding balance and the remaining applicable maturity of fixed-term deposits held with the NCBs on the calendar day before the day on which the Governing Council decides to lower the deposit facility rate to below zero per cent. A negative interest rate entails a payment obligation of the deposit holder to the relevant NCB including the right of that NCB to debit the relevant government deposit account accordingly.

3. The government deposits related to European Union/International Monetary Fund and other comparable financial support programmes that are held in accounts with NCBs shall be subject to the remuneration rates referred in paragraph 1 or remunerated at zero per cent, whichever is higher, but they shall not count towards the threshold amount mentioned in paragraph 2.

▼ B*Article 6***Reporting**

1. NCBs shall report *ex ante* to the ECB the total net liquidity effect of their domestic asset and liability management operations within the context of the Eurosystem's general liquidity management framework. An NCB shall include the transfer of its profit to the government in its forecast of autonomous liquidity factors at least one week in advance of the transfer taking place. Furthermore, an NCB shall ensure through appropriate measures that investment operations and deposit schemes do not result in liquidity effects that cannot be accurately forecast.

2. Once a month, NCBs shall report *ex post* to the ECB, using the *ex post* reporting format in Annex II to this Guideline, the details of the operations they carried out during the previous month. With respect to the monthly *ex post* report, a general threshold of EUR 500 million shall apply to the monthly turnover in each individual category listed in Annex II, with transactions counting towards the threshold as follows:

(a) the gross sum of purchases, sales and redemptions for each of the following categories:

(i) investment operations;

(ii) pension fund management;

(iii) agent activities;

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- (b) the gross sum of securities lending and borrowing for the following categories:
 - (i) securities loans; and
 - (ii) repurchase transactions.
- (c) the gross sum of credit granting and deposit taking for the category credit and deposit schemes;
- (d) the amount for each of the following categories:
 - (i) obligations towards third parties; and
 - (ii) transfer and subsidies.

If the gross sum of the transactions in a category is below the respective threshold, NCBs shall fill in a zero in the reporting format as for cases where no transactions have taken place. NCBs may choose to continue to report all their transactions to the ECB even if the threshold for one or more categories is not reached (full reporting).

For transactions in euro carried out within the Eurosystem reserve management services framework, NCBs shall, in addition, comply with any other applicable reporting requirements.

3. In the event that reporting requirements reveal that the asset or liability management operations of a particular NCB contradict single monetary policy requirements, the ECB may give specific instructions with regard to the asset and liability management behaviour of the NCB in question.

*Article 7***Thresholds**

1. Operations may not be conducted above the threshold in Annex I to this Guideline without the ECB's prior approval. Such threshold also applies to repurchase transactions, without prejudice to the prior approval procedure for repurchase agreements in Article 4.

2. In addition to the threshold for daily aggregate operations in Annex I to this Guideline, the ECB may specify and apply additional thresholds for NCBs' cumulative purchases or sales of assets and liabilities during any particular period of time.

3. The Governing Council may change the threshold in Annex I to this Guideline at any time.

*Article 8***Procedure for requesting and granting prior approval**

1. NCBs shall forward their requests for prior approval as far in advance as possible. Where the operation has to be settled on the same day or the next working day, the ECB shall receive such requests at the latest by 9 a.m.⁽¹⁾ on the envisaged trade date. For other operations, the ECB shall receive the corresponding request at the latest by 11 a.m. on the envisaged trade date.

2. The NCB's request shall be made in accordance with Annex III to this Guideline. Where a transaction, for which prior approval has been sought and granted, does not take place in accordance with the prior approval, NCBs shall notify the ECB immediately.

3. Under exceptional circumstances, NCBs carrying out security lending operations against collateral may, where the market participants are not able to provide specific securities, also forward their requests for late same-day prior approval in the late afternoon.

4. The ECB shall respond to an NCB's request for prior approval as soon as possible, and to a request for late same-day prior approval immediately. For operations to be settled on the trade date or on the next working day, the ECB shall respond by 10.15 a.m. on the envisaged trade date. For other operations, the ECB shall respond by 1 p.m. on the envisaged trade date. If an NCB does not receive a reply by this deadline, after verifying that the ECB received its request and that no reply has been sent, assume from 1.15 p.m. that approval has been granted.

5. The ECB shall consider all requests with a view to ensuring consistency with the single monetary policy of the Eurosystem, having regard to both the effect of individual NCBs' operations and the aggregate effect of such operations in the Member States whose currency is the euro. Without prejudice to this, the ECB shall try to accommodate the NCBs' requests.

*Article 9***Monitoring**

1. Once a year the Executive Board shall submit a report to the Governing Council on the implementation and application of this Guideline. This report shall provide information on:

- (a) the application of the prior approval procedure;
- (b) NCBs' domestic asset and liability management practices;
- (c) compliance with this Guideline.

⁽¹⁾ All references are to Central European Time, which takes account of the change to Central European Summer Time.

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2. In case of doubt regarding compliance with Article 5(1) to (3), the ECB may request information from NCBs.

*Article 10***Confidentiality**

All the information and data exchanged in the context of the above procedures, including the monitoring report mentioned in Article 9, shall be treated confidentially.

*Article 11***Transitional provision**

Fixed-term government deposits held with the NCBs shall be subject to Article 5(1), but they shall only count towards the threshold amount mentioned in Article 5(2) from 1 December 2015.

*Article 12***Taking effect and implementation**

1. This Guideline shall take effect two days following its adoption.
2. The NCBs shall take the necessary measures to comply with this Guideline by 1 December 2014. They shall notify the ECB of the texts and means relating to those measures by 31 October 2014 at the latest.

*Article 13***Addressees**

This Guideline is addressed to the NCBs.

▼B*ANNEX I***THRESHOLDS FOR NCBS' DOMESTIC OPERATIONS IN ASSETS AND
LIABILITIES CONDUCTED ON A SINGLE DATE**

Threshold applicable
Settlement date effect (net aggregate operations) ⁽¹⁾
EUR 200 million

⁽¹⁾ Net liquidity impact of the planned operations for the day, to be settled on a single date coinciding with or following the trade date.

ANNEX II

MONTHLY *EX POST* REPORT OF DOMESTIC ASSET AND LIABILITY MANAGEMENT OPERATIONS

	Category of operation										
	Investment operations	Pension fund management	Agent activities		Securities loans	Repurchase transactions		Credit and deposit schemes		Obligations towards 3rd parties	Transfer and subsidies
Way of conducting the operation	1. On-balance sheet 2. Off-balance sheet	1. On-balance sheet 2. Off-balance sheet	1. On-balance sheet 2. Off-balance sheet	Number of transactions	nnnnnn	nnnnnn	Number of transactions	nnnnnn	Type of operation	xxxxx	xxxxx
Number of transactions	nnnnnn	nnnnnn	nnnnnn	Securities lending	EUR (XX) mn	EUR (XX) mn	Granting	EUR (XX) mn	Way of conducting the operation	1. On-balance sheet 2. Off-balance sheet	1. On-balance sheet 2. Off-balance sheet
Purchase	EUR (XX) mn	EUR (XX) mn	EUR (XX) mn	Securities borrowing	EUR (XX) mn	EUR (XX) mn	Deposit-taking	EUR (XX) mn	Number of transactions	nnnnnn	nnnnnn
Sale	EUR (XX) mn	EUR (XX) mn	EUR (XX) mn						Amount	EUR (XX) mn	EUR (XX) mn
Redemption	EUR (XX) mn	EUR (XX) mn	EUR (XX) mn								



ANNEX III

MESSAGE FORMAT FOR REQUESTS FOR PRIOR APPROVAL OF LARGE TRANSACTIONS

Variable name	Description of variable	Codification	Mandatory field
ID-code	Unique identifier for a group of operations (either securities transactions or other transactions) which have the same trade and settlement date, consisting of a sequential numbering preceded by the two-digit ISO country code.	ISnn	Automatically generated by the application.
Trade date	Trade date of the planned group of operations.	yyyy/mm/dd	Yes
Settlement date	Settlement date (or start date in the case of forward transactions) of the planned group of operations.	yyyy/mm/dd	Yes
Purchase and lending	If securities/other instruments have been purchased or credit or securities loans have been granted, the cumulative amount has to be quoted.	EUR [YY] million	No (To be left blank if only sale transactions are planned.)
Sale and deposit-taking	If securities/other instruments have been sold or deposits have been taken, the cumulative amount has to be quoted.	EUR [XX] million	No (To be left blank if only purchase transactions are planned.)
Impact on liquidity projections	Indication of the impact on liquidity projections for the settlement date in the case of an acceptance of the request, relative to the last daily liquidity forecast submitted to the ECB at 8 a.m. In the event of a refusal, this field helps the ECB to identify the reverse impact on liquidity projections.	EUR [ZZ] million	Yes (If the total impact on liquidity projections has already been reported to the ECB, a zero must be entered in this box.)
Type of transaction	Indication of the type of transaction: 1. Securities transaction 2. Other transaction	The type of transaction is selected from the list box that is provided by the system.	Yes (The user must indicate the type of transaction.)
Intended way of conducting the operation	Description of the intended way of conducting the operations, by reference to one of the following items: 1. On-balance-sheet operation 2. Off-balance-sheet operation	The intended way of conducting the operation is selected from the list box that is provided by the system.	No (The user is free to indicate the intended way of conducting the operation.)

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Variable name	Description of variable	Codification	Mandatory field
Free text	Any information which would help the ECB's liquidity management function to assess the net liquidity impact in the context of the relevant period of liquidity analysis and the most recent liquidity forecast. For example, if the impact on liquidity projections is not permanent, but will be reversed in the foreseeable future, the user shall comment in the free text field on the liquidity impact beyond the settlement date. The user could also give further details on each single operation, such as the type, the size or its purpose.	Any combination of numbers and letters within the predefined H1&H2 character set ⁽¹⁾ .	No

⁽¹⁾ The symbols allowed in the free text format are specified in Section 1.1.4.7 of Annex 4 to the H1&H2 System Design document of 22 August 1997.