

GUIDELINES

GUIDELINE (EU) 2016/2249 OF THE EUROPEAN CENTRAL BANK

of 3 November 2016

on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2016/34)

(recast)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank, and in particular Articles 12.1, 14.3 and 26.4 thereof,

Having regard to the contribution of the General Council of the European Central Bank (ECB) pursuant to the second and third indents of Article 46.2 of the Statute of the European System of Central Banks and of the European Central Bank,

Whereas:

- (1) Guideline ECB/2010/20 ⁽¹⁾ has been substantially amended several times. Since further amendments are to be made, that Guideline should be recast in the interests of clarity.
- (2) The European System of Central Banks (ESCB) is subject to reporting requirements under Article 15 of the Statute of the European System of Central Banks and of the European Central Bank (hereinafter the 'Statute of the ESCB').
- (3) Pursuant to Article 26.3 of the Statute of the ESCB, the Executive Board draws up a consolidated balance sheet of the ESCB for analytical and operational purposes.
- (4) Pursuant to Article 26.4 of the Statute of the ESCB, for the application of Article 26 the Governing Council establishes the necessary rules for standardising the accounting and reporting of operations undertaken by the national central banks (NCBs).
- (5) The disclosure relating to euro banknotes in circulation, remuneration of net intra-Eurosystem claims/liabilities resulting from the allocation of euro banknotes within the Eurosystem, and monetary income should be harmonised in the NCBs' published annual financial statements,

HAS ADOPTED THIS GUIDELINE:

CHAPTER I

GENERAL PROVISIONS

Article 1

Definitions

1. For the purposes of this Guideline:

- (a) 'NCB' means the national central bank of a Member State whose currency is the euro;
- (b) 'Eurosystem accounting and financial reporting purposes' means the purposes for which the ECB produces the financial statements listed in Annex I in accordance with Articles 15 and 26 of the Statute of the ESCB;

⁽¹⁾ Guideline ECB/2010/20 of 11 November 2010 on the legal framework for accounting and financial reporting in the European System of Central Banks (OJ L 35, 9.2.2011, p. 31).

- (c) 'reporting entity' means the ECB or an NCB;
 - (d) 'quarterly revaluation date' means the date of the last calendar day of a quarter;
 - (e) 'cash changeover year' means a period of 12 months from the date on which euro banknotes and coins acquire the status of legal tender in a Member State whose currency is the euro;
 - (f) 'banknote allocation key' means the percentages that result from taking into account the ECB's share in the total euro banknote issue and applying the subscribed capital key to the NCBs' share in such total, under Decision ECB/2010/29 ⁽¹⁾;
 - (g) 'consolidation' means the accounting process whereby the financial figures of various separate legal entities are aggregated as though they were one entity;
 - (h) 'credit institution' means either: (a) a credit institution within the meaning of Article 4(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council ⁽²⁾, that is subject to supervision by a competent authority; or (b) another credit institution within the meaning of Article 123(2) of the Treaty that is subject to scrutiny of a standard comparable to supervision by a competent authority.
2. Definitions of other technical terms used in this Guideline are attached as Annex II.

Article 2

Scope of application

1. This Guideline shall apply to the ECB and to the NCBs for Eurosystem accounting and financial reporting purposes.
2. This Guideline's scope of application shall be limited to the Eurosystem accounting and financial reporting regime laid down by the Statute of the ESCB. As a consequence, it shall not apply to NCBs' national reports and financial accounts. In order to achieve consistency and comparability between the Eurosystem and national regimes, it is recommended that NCBs should, to the extent possible, follow the rules set out in this Guideline for their national reports and financial accounts.

Article 3

Qualitative characteristics

The following qualitative characteristics shall apply:

- (1) economic reality and transparency: the accounting methods and financial reporting shall reflect economic reality, be transparent and respect the qualitative characteristics of understandability, relevance, reliability and comparability. Transactions shall be accounted for and presented in accordance with their substance and economic reality and not merely with their legal form;
- (2) prudence: the valuation of assets and liabilities and income recognition shall be carried out prudently. In the context of this Guideline, this implies that unrealised gains shall not be recognised as income in the profit and loss account, but shall be recorded directly in a revaluation account and that unrealised losses shall be taken at year end to the profit and loss account if they exceed previous revaluation gains registered in the corresponding revaluation account. Hidden reserves or the deliberate misstatement of items on the balance sheet and in the profit and loss account shall be inconsistent with the assumption of prudence;
- (3) materiality: deviations from the accounting rules, including those affecting the calculation of the profit and loss accounts of the individual NCBs and of the ECB, shall only be allowed if they can be reasonably considered as immaterial in the overall context and presentation of the reporting entity's financial accounts;
- (4) consistency and comparability: the criteria for balance sheet valuation and income recognition shall be applied consistently in terms of commonality and continuity of approach within the Eurosystem to ensure comparability of data in the financial statements.

⁽¹⁾ Decision ECB/2010/29 of 13 December 2010 on the issue of euro banknotes (OJ L 35, 9.2.2011, p. 26).

⁽²⁾ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

*Article 4***Basic accounting assumptions**

The following basic accounting assumptions shall apply:

- (1) going concern basis: accounts shall be prepared on a going concern basis;
- (2) accruals principle: income and expenses shall be recognised in the accounting period in which they are earned or incurred and not in the period in which they are received or paid;
- (3) post-balance sheet events: assets and liabilities shall be adjusted for events that occur between the annual balance sheet date and the date on which the financial statements are approved by the relevant bodies if they affect the condition of assets or liabilities at the balance sheet date. No adjustment shall be made for assets and liabilities, but disclosure shall be made of those events occurring after the balance sheet date if they do not affect the condition of assets and liabilities at the balance sheet date, but which are of such importance that non-disclosure would affect the ability of the users of the financial statements to make proper evaluations and decisions.

*Article 5***Economic and cash/settlement approaches**

1. The economic approach shall be used as the basis for recording foreign exchange transactions, financial instruments denominated in foreign currency and related accruals. Two different techniques have been developed to implement this approach:

- (a) the 'regular approach' as set out in Chapters III and IV and Annex III; and
- (b) the 'alternative approach' as set out in Annex III.

2. Securities transactions including equity instruments denominated in foreign currency may continue to be recorded according to the cash/settlement approach. The related accrued interest including premiums or discounts shall be recorded on a daily basis from the spot settlement date.

3. NCBs may use either the economic or the cash/settlement approach to record any specific euro-denominated transactions, financial instruments and related accruals.

4. With the exception of quarter end and year end accounting adjustments and of items disclosed under 'Other assets' and 'Other liabilities', amounts presented as part of the daily financial reporting for Eurosystem financial reporting purposes shall only show cash movements in balance sheet items. At quarter end and year end, the amortisation shall also be included in the carrying value of securities.

*Article 6***Recognition of assets and liabilities**

A financial or other asset or liability shall only be recognised in the balance sheet of the reporting entity if all of the following conditions are met:

- (1) it is probable that any future economic benefit associated with the asset or liability will flow to or from the reporting entity;
- (2) substantially all of the risks and rewards associated with the asset or liability have been transferred to the reporting entity;
- (3) the cost or value of the asset to the reporting entity or the amount of the obligation can be measured reliably.

CHAPTER II

COMPOSITION AND VALUATION RULES FOR THE BALANCE SHEET*Article 7***Composition of the balance sheet**

The composition of the balance sheet of the ECB and NCBs for Eurosystem financial reporting purposes shall be based on the structure set out in Annex IV.

*Article 8***Provision for foreign exchange rate, interest rate, credit and gold price risks**

Taking into due consideration the nature of the activities of the NCBs, an NCB may establish a provision for foreign exchange rate, interest rate, credit and gold price risks on its balance sheet. The NCB shall decide on the size and use of the provision on the basis of a reasoned estimate of the NCB's risk exposure.

*Article 9***Balance sheet valuation rules**

1. Current market rates and prices shall be used for balance sheet valuation purposes unless specified otherwise in Annex IV.
2. The revaluation of gold, foreign currency instruments, securities (other than securities classified as held-to-maturity, non-marketable securities, and securities held for monetary policy purposes that are accounted for at amortised costs), as well as financial instruments, both on-balance-sheet and off-balance-sheet, shall be performed as at the quarterly revaluation date at mid-market rates and prices. This shall not preclude reporting entities from revaluing their portfolios on a more frequent basis for internal purposes, provided that they report items in their balance sheets only at transaction value during the quarter.
3. No distinction shall be made between price and currency revaluation differences for gold, but a single gold revaluation difference shall be accounted for, based on the euro price per defined unit of weight of gold derived from the euro/US dollar exchange rate on the quarterly revaluation date. For foreign exchange, including on-balance-sheet and off-balance-sheet transactions, revaluation shall take place on a currency-by-currency basis. For the purpose of this Article, holdings of special drawing rights (SDRs), including designated individual foreign exchange holdings underlying the SDR basket, shall be treated as one holding. For securities, revaluation shall take place on a code-by-code basis, i.e. same International Securities Identification Number/type, while any embedded options will not be separated for valuation purposes. Securities held for monetary policy purposes or included in the items 'Other financial assets' or 'Sundry' shall be treated as separate holdings.
4. Revaluation bookings shall be reversed at the end of the next quarter, except for unrealised losses taken to the profit and loss account at the end of the year; any transactions during the quarter shall be reported at transaction prices and rates.
5. Marketable securities held for monetary policy purposes shall be treated as separate holdings and shall be valued either at market price or at amortised cost (subject to impairment), depending on monetary policy considerations.
6. Securities classified as held-to-maturity shall be treated as separate holdings and shall be valued at amortised cost (subject to impairment). The same treatment shall apply to non-marketable securities. Securities classified as held-to-maturity may be sold before their maturity when any of the following occurs:
 - (a) if the quantity sold is considered not significant in comparison with the total amount of the held-to-maturity securities portfolio;
 - (b) if the securities are sold during one month before maturity date;
 - (c) under exceptional circumstances, such as a significant deterioration of the issuer's creditworthiness.

*Article 10***Reverse transactions**

1. A reverse transaction conducted under a repo agreement shall be recorded as a collateralised inward deposit on the liabilities side of the balance sheet, while the item that has been provided as collateral shall remain on the assets side of the balance sheet. Securities sold which are to be repurchased under repo agreements shall be treated by the reporting entity, which is required to repurchase them, as if the assets in question were still part of the portfolio from which they were sold.

2. A reverse transaction conducted under a reverse repo agreement shall be recorded as a collateralised outward loan on the assets side of the balance sheet for the amount of the loan. Securities acquired under reverse repo agreements shall not be revalued and no profit or loss arising thereon shall be taken to the profit and loss account by the reporting entity lending the funds.

3. In the case of security lending transactions, the securities shall remain on the transferor's balance sheet. Security lending transactions where collateral is provided in the form of cash shall be accounted for in the same manner as that prescribed for repurchase operations. Security lending transactions where collateral is provided in the form of securities shall only be recorded on the balance sheet where cash:

- (a) is exchanged as part of the settlement process; and
- (b) remains on an account of either the lender or the borrower.

The transferee shall show a liability for the retransfer of the securities if in the meantime the securities have been sold.

4. Collateralised gold transactions shall be treated as repurchase agreements. The gold flows relating to these collateralised transactions shall not be recorded in the financial statements and the difference between the spot and forward prices of the transaction shall be treated on an accruals basis.

5. Reverse transactions conducted under an automated security lending programme (including security lending transactions) shall be recorded on the balance sheet, as a minimum, at the end of the reporting period if collateral is provided in the form of cash placed on an account of the relevant NCB or the ECB and this cash is still uninvested.

*Article 11***Marketable equity instruments**

1. This Article shall apply to marketable equity instruments, i.e. equity shares or equity funds, whether the transactions are conducted directly by a reporting entity or by its agent, with the exception of activities conducted for pension funds, participating interests, investments in subsidiaries or significant interests.

2. Equity instruments denominated in foreign currencies and disclosed under 'Other assets' shall not form part of the overall currency position but shall be part of a separate currency holding. The calculation of the related foreign exchange gains and losses may be performed either on a net average cost method or an average cost method.

3. The revaluation of equity portfolios shall be performed in accordance with Article 9(3). Revaluation shall take place on an item-by-item basis. For equity funds, the price revaluation shall be performed on a net basis, and not on an individual share-by-share basis. There shall be no netting between different equity shares or between different equity funds.

4. Transactions shall be recorded in the balance sheet at transaction price.

5. Brokerage commission may be recorded either as a transaction cost to be included in the cost of the asset, or as an expense in the profit and loss account.

6. The amount of the dividend purchased shall be included in the cost of the equity instrument. At ex-dividend date, the amount of the dividend purchased may be treated as a separate item until the payment of the dividend has been received.

7. Accruals on dividends shall not be booked at end-of-period as they are already reflected in the market price of the equity instruments with the exception of equities quoted ex-dividend.
8. Rights issues shall be treated as a separate asset when issued. The acquisition cost shall be calculated based on the equity's existing average cost, on the new acquisition's strike price, and on the proportion between existing and new equities. Alternatively, the price of the right may be based on the right's value in the market, the equity's existing average cost and the equity's market price before the rights issue.

Article 12

Hedging of interest rate risk on securities with derivatives

1. Hedging of interest rate risk on a security with a derivative means designating a derivative so that the change in its fair value offsets the expected change in the fair value of the hedged security arising from interest rate movements.
2. Hedged and hedging instruments shall be recognised and treated in accordance with the general provisions, valuation rules, income recognition and instrument-specific requirements set out in this Guideline.
3. In derogation from Articles 3(2), 9(4), 15(1) and (2), 16(1)(b) and (2)(d), and 17(2), the following alternative treatment may be applied to the valuation of a hedged security and of a hedging derivative:
 - (a) The security and the derivative shall both be revalued and shown at their market values on the balance sheet as at the end of each quarter. The following asymmetric valuation approach shall be applied to the net amount of unrealised gain or loss on the hedged and hedging instruments:
 - (i) a net unrealised loss shall be taken to the profit and loss account at year end and it is recommended that it is amortised over the remaining life of the hedged instrument; and
 - (ii) a net unrealised gain shall be booked on a revaluation account and reversed at the following revaluation date.
 - (b) Hedge of a security already owned: if the average cost of a hedged security is different from the market price of the security at the inception of the hedge, the following treatment shall be applied:
 - (i) unrealised gains of the security on that date shall be booked on a revaluation account while unrealised losses shall be taken to the profit and loss account; and
 - (ii) the provisions of point (a) shall apply to the changes in market values following the inception date of the hedging relationship.
 - (c) It is recommended that the balance of unamortised premiums and discounts, as at the date when the hedge was set up, is amortised over the remaining life of the hedged instrument.
4. When hedge accounting is discontinued, the security and the derivative that have remained in the books of the reporting entity shall be valued as standalone instruments as of the date of discontinuation in accordance with the general rules set out in this Guideline.
5. The alternative treatment specified in paragraph 3 may only be applied if all of the following conditions are met:
 - (a) At the inception of the hedge there is formal documentation of the hedging relationship and the risk management objective and strategy for undertaking the hedge. That documentation shall include all of the following: (i) identification of the derivative used as a hedging instrument; (ii) identification of the related hedged security; and (iii) an assessment of the derivative's effectiveness in offsetting the exposure to changes in the security's fair value attributable to the interest rate risk.

- (b) The hedge is expected to be highly effective and the effectiveness of the hedge can be reliably measured. Both prospective and retrospective effectiveness must be assessed. It is recommended that:
- (i) the prospective effectiveness should be measured by comparing the past changes in the fair value of the hedged item with past changes in the fair value of the hedging instrument, or by demonstrating a high statistical correlation between the fair value of the hedged item and the fair value of the hedging instrument; and
 - (ii) the retrospective effectiveness should be demonstrated if the ratio between the actual gain/loss on the hedged item and the actual loss/gain on the hedging instrument is within the range of 80 %-125 %.
6. The following shall apply to the hedging of a group of securities: similar interest rate securities may be aggregated and hedged as a group only if all of the following conditions are met:
- (a) the securities have a similar duration;
 - (b) the group of securities complies with the effectiveness test prospectively and retrospectively;
 - (c) the change in fair value attributable to the hedged risk for each security of the group is expected to be approximately proportional to the overall change in the fair value attributable to the hedged risk of the group of securities.

Article 13

Synthetic instruments

1. Instruments combined to form a synthetic instrument shall be recognised and treated separately from other instruments, in accordance with the general provisions, valuation rules, income recognition and instrument-specific requirements set out in this Guideline.
2. In derogation from Article 3(b) and Articles 9(4), 15(1) and 17(2), the following alternative treatment may be applied to the valuation of synthetic instruments:
 - (a) unrealised gains and losses of the instruments combined to form a synthetic instrument are netted at year end. In this case, net unrealised gains shall be recorded in a revaluation account. Net unrealised losses shall be taken to the profit and loss account if they exceed previous net revaluation gains registered in the corresponding revaluation account;
 - (b) securities held as part of a synthetic instrument shall not form part of the overall holding of these securities but shall be part of a separate holding;
 - (c) unrealised losses taken to the profit and loss account at year end and the corresponding unrealised gains shall be separately amortised in subsequent years.
3. If one of the instruments combined expires, is sold, terminated or exercised, the reporting entity shall discontinue prospectively the alternative treatment specified in paragraph 2 and any unamortised valuation gains credited in the profit and loss account in previous years shall be immediately reversed.
4. The alternative treatment specified in paragraph 2 may only be applied if all of the following conditions are met:
 - (a) the individual instruments are managed and their performance is evaluated as one combined instrument, based on either a risk management or investment strategy;
 - (b) on initial recognition, the individual instruments are structured and designated as a synthetic instrument;
 - (c) the application of the alternative treatment eliminates or significantly reduces a valuation inconsistency (valuation mismatch) that would arise from applying general rules set out in this Guideline at an individual instrument level;
 - (d) the availability of formal documentation allows the fulfilment of the conditions set out in points (a), (b) and (c) to be verified.

*Article 14***Banknotes**

1. For the implementation of Article 49 of the Statute of the ESCB, banknotes of other Member States whose currency is the euro held by an NCB shall not be accounted for as banknotes in circulation, but as intra-Eurosystem balances. The procedure for treating banknotes of other Member States whose currency is the euro shall be the following:

- (a) the NCB receiving banknotes denominated in national euro area currency units issued by another NCB shall notify the issuing NCB on a daily basis of the value of banknotes paid in to be exchanged, unless a given daily volume is low. The issuing NCB shall issue a corresponding payment to the receiving NCB via TARGET2; and
- (b) the adjustment of the 'banknotes in circulation' figures shall take place in the books of the issuing NCB on receipt of the abovementioned notification.

2. The amount of 'banknotes in circulation' in the balance sheets of NCBs shall be the result of three components:

- (a) the unadjusted value of euro banknotes in circulation, including the cash changeover year banknotes denominated in national euro area currency units for the NCB that adopts the euro, which shall be calculated according to either of the following two methods:

Method A: $B = P - D - N - S$

Method B: $B = I - R - N$

Where:

B is the unadjusted value of 'banknotes in circulation';

P is the value of banknotes produced or received from the printer or other NCBs;

D is the value of banknotes destroyed;

N is the value of national banknotes of the issuing NCB held by other NCBs (notified but not yet repatriated);

I is the value of banknotes put into circulation;

R is the value of banknotes received;

S is the value of banknotes in stock/vault;

- (b) minus the amount of the unremunerated claim vis-à-vis the ECI bank running the Extended Custodial Inventory (ECI) programme, in the event of a transfer of ownership of the ECI programme-related banknotes;
- (c) plus or minus the amount of the adjustments resulting from the application of the banknote allocation key.

CHAPTER III

INCOME RECOGNITION*Article 15***Income recognition**

1. The following rules shall apply to income recognition:

- (a) realised gains and realised losses shall be taken to the profit and loss account;
- (b) unrealised gains shall not be recognised as income, but recorded directly in a revaluation account;
- (c) at year end, unrealised losses shall be taken to the profit and loss account if they exceed previous revaluation gains registered in the corresponding revaluation account;
- (d) unrealised losses taken to the profit and loss account shall not be reversed in subsequent years against new unrealised gains;

- (e) there shall be no netting of unrealised losses in any one security, or in any currency or in gold holdings against unrealised gains in other securities or currencies or gold;
 - (f) at year end, impairment losses shall be taken to the profit and loss account and shall not be reversed in subsequent years unless the impairment decreases and the decrease can be related to an observable event that occurred after the impairment was first recorded.
2. Premiums or discounts arising on issued and purchased securities shall be calculated and presented as part of interest income and shall be amortised over the remaining contractual life of the securities, either according to the straight-line method or the internal rate of return (IRR) method. The IRR method shall, however, be mandatory for discount securities with a remaining maturity of more than one year at the time of acquisition.
 3. Accruals for financial assets and liabilities, e.g. interest payable and amortised premiums/discounts denominated in foreign currency shall be calculated and recorded in the accounts on a daily basis, based on the latest available rates. Accruals for financial assets and liabilities denominated in euro shall be calculated and recorded in the accounts at least quarterly. Accruals for other items shall be calculated and recorded in the accounts at least annually.
 4. Irrespective of the frequency of calculating accruals but subject to the exceptions referred to in Article 5(4) reporting entities shall report data at transaction value during the quarter.
 5. Accruals denominated in foreign currencies shall be translated at the exchange rate of the recording date and shall have an impact on the currency position.
 6. Generally, for the calculation of accruals during the year local practice may apply, i.e. they may be calculated until either the last business day or the last calendar day of the quarter. However, at year end the mandatory reference date shall be 31 December.
 7. Currency outflows that entail a change in the holding of a given currency may give rise to realised foreign exchange gains or losses.

Article 16

Cost of transactions

1. The following general rules shall apply to the cost of transactions:
 - (a) the average cost method shall be used on a daily basis for gold, foreign currency instruments and securities, to compute the acquisition cost of items sold, having regard to the effect of exchange rate and/or price movements;
 - (b) the average cost of the asset or liability shall be reduced or increased by unrealised losses taken to the profit and loss account at year end;
 - (c) in the case of the acquisition of coupon securities, the amount of coupon income purchased shall be treated as a separate item. In the case of securities denominated in foreign currency, it shall be part of that currency's holding, but shall not affect the average cost of the security or the relevant currency.
2. The following special rules shall apply to securities:
 - (a) transactions shall be recorded at the transaction price and booked in the financial accounts at the clean price;
 - (b) custody and management fees, current account fees and other indirect costs shall not be considered as transaction costs and shall be included in the profit and loss account. They shall not be treated as part of the average cost of a particular asset;
 - (c) income shall be recorded gross with refundable withholding and other taxes accounted for separately;
 - (d) for the purpose of calculating the average purchase cost of a security, either: (i) all purchases made during the day shall be added, at their purchase price, to the previous day's holding to produce a new weighted average cost before applying the sales for the same day; or (ii) individual purchases and sales of securities may be applied in the order in which they occurred during the day for the purpose of calculating the revised average cost.

3. The following special rules shall apply to gold and foreign exchange:
 - (a) transactions in a foreign currency which entail no change in the holding of that currency shall be translated into euro, using the exchange rate of either the contract or settlement date, and shall not affect that holding's acquisition cost;
 - (b) transactions in foreign currency which entail a change in the holding of that currency shall be translated into euro at the exchange rate of the contract date;
 - (c) the settlement of the principal amounts resulting from reverse transactions in securities denominated in a foreign currency or in gold shall be deemed not to entail a change in the holding of that currency or of gold;
 - (d) actual cash receipts and payments shall be translated at the exchange rate on the day on which settlement occurs;
 - (e) where a long position exists, net inflows of currencies and gold made during the day shall be added, at the average rate or gold price of the inflows of the day for each respective currency and gold, to the previous day's holding, to produce a new weighted average cost. In the case of net outflows, the calculation of the realised gain or loss shall be based on the average cost of the respective currency or gold holding for the preceding day so that the average cost remains unchanged. Differences in the average rate/gold price between inflows and outflows made during the day shall also result in realised gains or losses. Where a liability situation exists in respect of a foreign currency or gold position, the reverse treatment shall apply to the abovementioned approach. Thus the average cost of the liability position shall be affected by net outflows, while net inflows shall reduce the position at the existing weighted average cost and shall result in realised gains or losses;
 - (f) costs of foreign exchange transactions and other general costs shall be posted to the profit and loss account.

CHAPTER IV

ACCOUNTING RULES FOR OFF-BALANCE-SHEET INSTRUMENTS

Article 17

General rules

1. Foreign exchange forward transactions, forward legs of foreign exchange swaps and other currency instruments involving an exchange of one currency for another at a future date shall be included in the net foreign currency positions for calculating average costs and foreign exchange gains and losses.
2. Interest rate swaps, futures, forward rate agreements, other interest rate instruments and options, with the exception of options embedded in securities, shall be accounted for and revalued on an item-by-item basis. These instruments shall be treated separately from on-balance-sheet items.
3. Profits and losses arising from off-balance-sheet instruments shall be recognised and treated in a similar manner to on-balance-sheet instruments.

Article 18

Foreign exchange forward transactions

1. Forward purchases and sales shall be recognised in off-balance-sheet accounts from the trade date to the settlement date at the spot rate of the forward transaction. Realised gains and losses on sale transactions shall be calculated using the average cost of the currency position on the trade date in accordance with the daily netting procedure for purchases and sales.
2. The difference between the spot and the forward rates shall be treated as interest payable or receivable on an accruals basis.
3. At the settlement date the off-balance-sheet accounts shall be reversed.
4. The currency position shall be affected by forward transactions from the trade date at the spot rate.

5. The forward positions shall be valued in conjunction with the spot position of the same currency, offsetting any differences that may arise within a single currency position. A net loss balance shall be debited to the profit and loss account when it exceeds previous revaluation gains registered in the revaluation account. A net profit balance shall be credited to the revaluation account.

Article 19

Foreign exchange swaps

1. Forward and spot purchases and sales shall be recognised in on- balance-sheet accounts at the respective settlement date.
2. Forward and spot purchases and sales shall be recognised in off- balance-sheet accounts from the trade date to the settlement date at the spot rate of the transactions.
3. Sale transactions shall be recognised at the spot rate of the transaction. Therefore no gains and losses shall arise.
4. The difference between the spot and forward rates shall be treated as interest payable or receivable on an accruals basis for both purchases and sales.
5. At the settlement date the off-balance-sheet accounts shall be reversed.
6. The foreign currency position shall only change as a result of accruals denominated in foreign currency.
7. The forward position shall be valued in conjunction with the related spot position.

Article 20

Futures contracts

1. Futures contracts shall be recorded on the trade date in off-balance-sheet accounts.
2. The initial margin shall be recorded as a separate asset if deposited in cash. If deposited in the form of securities it shall remain unchanged in the balance sheet.
3. Daily changes in the variation margins shall be taken to the profit and loss account and shall affect the currency position. The same procedure shall be applied on the closing day of the open position, regardless of whether or not delivery takes place. If delivery does take place, the purchase or sale entry shall be made at market price.
4. Fees shall be taken to the profit and loss account.

Article 21

Interest rate swaps

1. Interest rate swaps shall be recorded on the trade date in off-balance-sheet accounts.
2. The current interest payments, either received or paid, shall be recorded on an accruals basis. Payments may be settled on a net basis per interest rate swap, but accrued interest income and expense shall be reported on a gross basis.
3. Fees shall be taken to the profit and loss account.
4. Interest rate swaps that are not cleared through a central clearing counterparty shall be individually revalued and, if necessary, translated into euro at the currency spot rate. It is recommended that unrealised losses taken to the profit and loss account at year end should be amortised in subsequent years, that in the case of forward interest rate swaps the amortisation should begin from the value date of the transaction and that the amortisation should be linear. Unrealised revaluation gains shall be credited to a revaluation account.

5. For interest rate swaps that are cleared through a central clearing counterparty:
 - (a) the initial margin shall be recorded as a separate asset if deposited in cash. If deposited in the form of securities, it shall remain unchanged in the balance sheet;
 - (b) daily changes in the variation margins shall be recorded in the profit and loss account and shall affect the currency position;
 - (c) the interest accrual component shall be separated from the realised result and recorded on a gross basis in the profit and loss account.

Article 22

Forward rate agreements

1. Forward rate agreements shall be recorded on the trade date in off- balance-sheet accounts.
2. The compensation payment to be paid by one party to another at the settlement date shall be entered on the settlement date in the profit and loss account. Payments shall not be recorded on an accruals basis.
3. If forward rate agreements in a foreign currency are held, compensation payments shall affect the currency position. Compensation payments shall be translated into euro at the spot rate at the settlement date.
4. All forward rate agreements shall be individually revalued and, if necessary, translated into euro at the currency spot rate. Unrealised losses taken to the profit and loss account at year end shall not be reversed in subsequent years against unrealised profits unless the instrument is closed out or terminated. Unrealised revaluation gains shall be credited to a revaluation account.
5. Fees shall be taken to the profit and loss account.

Article 23

Forward transactions in securities

Forward transactions in securities shall be accounted for in accordance with either of the following two methods:

1. *Method A:*
 - (a) forward transactions in securities shall be recorded in off-balance-sheet accounts from the trade date to the settlement date, at the forward price of the forward transaction;
 - (b) the average cost of the holding of the traded security shall not be affected until settlement; the profit and loss effects of forward sale transactions shall be calculated on the settlement date;
 - (c) at the settlement date the off-balance-sheet accounts shall be reversed and the balance on the revaluation account, if any, shall be credited to the profit and loss account. The security purchased shall be accounted for using the spot price on the maturity date (actual market price), while the difference compared with the original forward price is recognised as a realised profit or loss;
 - (d) in the case of securities denominated in a foreign currency, the average cost of the net currency position shall not be affected if the reporting entity already holds a position in that currency. If the bond purchased forward is denominated in a currency in which the reporting entity does not hold a position, so that it is necessary to purchase the relevant currency, the rules for the purchase of foreign currencies set out in Article 16(3)(e) shall apply;
 - (e) forward positions shall be valued on an isolated basis against the forward market price for the remaining duration of the transaction. A revaluation loss at year end shall be debited to the profit and loss account, and a revaluation profit shall be credited to the revaluation account. Unrealised losses recognised in the profit and loss account at year end shall not be reversed in subsequent years against unrealised profits unless the instrument is closed out or terminated.

2. Method B:

- (a) forward transactions in securities shall be recorded in off-balance-sheet accounts from the trade date to the settlement date at the forward price of the forward transaction. At the settlement date the off-balance-sheet accounts shall be reversed;
- (b) at quarter end, a security shall be revalued on the basis of the net position resulting from the balance sheet and from the sales of the same security recorded in the off-balance-sheet accounts. The amount of the revaluation shall be equal to the difference between this net position valued at the revaluation price and the same position valued at the average cost of the balance sheet position. At the quarter end, forward purchases shall be subject to the revaluation process described in Article 9. The revaluation result shall be equal to the difference between the spot price and the average cost of the purchase commitments;
- (c) the result of a forward sale shall be recorded in the financial year in which the commitment was undertaken. This result shall be equal to the difference between the initial forward price and the average cost of the balance sheet position, or the average cost of the off-balance-sheet purchase commitments if the balance sheet position is insufficient, at the time of the sale.

Article 24

Options

1. Options shall be recognised in off-balance-sheet accounts from the trade date to the exercise or expiry date at the strike price of the underlying instrument.
2. Premiums denominated in foreign currency shall be translated into euro at the exchange rate of either the contract or settlement date. The premium paid shall be recognised as a separate asset, while the premium received shall be recognised as a separate liability.
3. If the option is exercised, the underlying instrument shall be recorded in the balance sheet at the strike price plus or minus the original premium value. The original option premium amount shall be adjusted on the basis of unrealised losses taken to the profit and loss account at year end.
4. If the option is not exercised, the option premium amount, adjusted on the basis of previous year-end unrealised losses, shall be taken to the profit and loss account translated at the exchange rate available on the expiry date.
5. The currency position shall be affected by the daily variation margin for futures-style options, by any year-end write-down of the option premium, by the underlying trade at exercise date or, at the expiry date, by the option premium. Daily changes in the variation margins shall be taken to the profit and loss account.
6. With the exception of options embedded in securities, every option contract shall be individually revalued. Unrealised losses taken to the profit and loss account shall not be reversed in subsequent years against unrealised gains. Unrealised revaluation gains shall be credited to a revaluation account. There shall be no netting of unrealised losses in any one option against unrealised gains in any other option.
7. For the application of paragraph 6, the market values are the quoted prices when such prices are available from an exchange, dealer, broker or similar entities. When quoted prices are not available, the market value is determined through a valuation technique. This valuation technique shall be used consistently over time and it shall be possible to demonstrate that it provides reliable estimates of prices that would be obtained in actual market transactions.
8. Fees shall be taken to the profit and loss account.

CHAPTER V

REPORTING OBLIGATIONS

Article 25

Reporting formats

1. The NCBs shall report data for Eurosystem financial reporting purposes to the ECB in accordance with this Guideline.

2. The Eurosystem's reporting formats shall comprise all items specified in Annex IV. The contents of the items to be included in the different balance sheet formats are also described in Annex IV.
3. The formats of the different published financial statements shall comply with all of the following Annexes:
 - (a) Annex V: the published consolidated weekly financial statement of the Eurosystem after quarter end;
 - (b) Annex VI: the published consolidated weekly financial statement of the Eurosystem during the quarter;
 - (c) Annex VII: the consolidated annual balance sheet of the Eurosystem.

CHAPTER VI

ANNUAL PUBLISHED BALANCE SHEETS AND PROFIT AND LOSS ACCOUNTS

Article 26

Published balance sheets and profit and loss accounts

It is recommended that NCBs adapt their published annual balance sheets and profit and loss accounts in accordance with Annexes VIII and IX.

CHAPTER VII

CONSOLIDATION RULES

Article 27

General consolidation rules

1. Eurosystem consolidated balance sheets shall comprise all the items in the ECB's and the NCBs' balance sheets.
2. There shall be consistency across reports in the consolidation process. All Eurosystem financial statements shall be prepared on a similar basis by applying the same consolidation techniques and processes.
3. The ECB shall prepare the Eurosystem's consolidated balance sheets. These balance sheets shall respect the need for uniform accounting principles and techniques, coterminous financial periods in the Eurosystem and consolidation adjustments arising from intra-Eurosystem transactions and positions, and shall take account of any changes in the Eurosystem's composition.
4. Any individual balance sheet items, other than NCBs' and the ECB's intra-Eurosystem balances, shall be aggregated for consolidation purposes.
5. The NCBs' and the ECB's balances with third parties shall be recorded gross in the consolidation process.
6. Intra-Eurosystem balances shall be presented in the ECB's and NCBs' balance sheets in accordance with Annex IV.

CHAPTER VIII

FINAL PROVISIONS

Article 28

Development, application and interpretation of rules

1. The ESCB's Accounting and Monetary Income Committee shall report to the Governing Council, via the Executive Board, on the development, application and implementation of the ESCB's accounting and financial reporting rules.
2. In interpreting this Guideline, account shall be taken of the preparatory work, the accounting principles harmonised by Union law and generally accepted accounting principles.

*Article 29***Transitional rules**

1. NCBs shall revalue all financial assets and liabilities as at the date on which they become members of the Eurosystem. Unrealised gains which arose before or on that date shall be separated from any unrealised revaluation gains that may arise thereafter, and shall remain with the NCBs. The market prices and rates applied by the NCBs in the opening balance sheets at the start of Eurosystem participation shall be considered as the average cost of these NCBs' assets and liabilities.
2. It is recommended that unrealised gains which arose before or at the start of an NCB's Eurosystem membership should not be considered as distributable at the time of the transition and that they should only be treated as realisable or distributable in the context of transactions that occur after entry into the Eurosystem.
3. Foreign exchange, gold and price gains and losses, arising as a result of the transfer of assets from NCBs to the ECB, shall be considered as realised.
4. This Article shall be without prejudice to any decision adopted under Article 30 of the Statute of the ESCB.

*Article 30***Repeal**

1. Guideline ECB/2010/20 is repealed from 31 December 2016.
2. References to the repealed Guideline shall be construed as references to this Guideline and shall be read in accordance with the correlation table in Annex XI.

*Article 31***Taking effect and implementation**

1. This Guideline shall take effect on the day of its notification to the national central banks of the Member States whose currency is the euro.
2. The national central banks of the Member States whose currency is the euro shall comply with this Guideline from 31 December 2016.

*Article 32***Addressees**

This Guideline is addressed to all Eurosystem central banks.

Done at Frankfurt am Main, 3 November 2016.

For the Governing Council of the ECB
The President of the ECB
Mario DRAGHI

ANNEX I

FINANCIAL STATEMENTS FOR THE EUROSISTEM

Type of report	Internal/published	Source of legal requirement	Purpose of the report
1 Daily financial statement of the Eurosystem	Internal	None	Mainly for liquidity management purposes for the implementation of Article 12.1 of the Statute of the ESCB. Part of the daily financial statement data is used for the calculation of monetary income
2 Disaggregated weekly financial statement	Internal	None	Basis for the production of the consolidated weekly financial statement of the Eurosystem
3 Consolidated weekly financial statement of the Eurosystem	Published	Article 15.2 of the Statute of the ESCB	Consolidated financial statement for monetary and economic analysis. The consolidated weekly financial statement of the Eurosystem is derived from the daily financial statement of the reporting day
4 Disaggregated monthly financial statement of the Eurosystem	Published	None	Strengthening the Eurosystem's accountability and transparency by allowing for easy access to information on the assets and liabilities of individual Eurosystem central banks. Provision of information in a harmonised manner on the decentralised implementation of the single monetary policy of the ECB, as well as on non-monetary policy financial activities of the Eurosystem central banks.
5 Monthly and quarterly financial information of the Eurosystem	Published and internal ⁽¹⁾	Statistical regulations, according to which MFIs have to deliver data	Statistical analysis
6 Consolidated annual balance sheet of the Eurosystem	Published	Article 26.3 of the Statute of the ESCB	Consolidated balance sheet for analytical and operational purposes

⁽¹⁾ The monthly data feed into the published aggregated statistical data required from monetary financial institutions (MFIs) in the Union. Moreover, as MFIs, the central banks also have to provide, on a quarterly basis, more detailed information than is provided in the monthly data.

ANNEX II

GLOSSARY

- *Amortisation*: the systematic reduction in the accounts of a premium or discount, or of the value of assets over a period of time.
- *Appropriation*: the act of taking ownership of securities, loans or any assets which have been received by a reporting entity as collateral as a means of enforcing the original claim.
- *Asset*: a resource controlled by a reporting entity as a result of past events and from which future economic benefits are expected to flow to the reporting entity.
- *Automated security lending programme (ASLP)*: a programme offered by a specialised institution, e.g. a bank which arranges and handles security lending between programme participants, in the form of repo, combined repo and reverse repo or security lending transactions. In the case of a principal-based programme, the specialised institution offering this programme is considered the final counterparty, while in the case of an agency-based programme the specialised institution offering this programme acts only as an agent, and the final counterparty is the entity with which the security lending is effectively conducted.
- *Average cost*: the weighted average method, by which the cost of every purchase is added to the existing book value to produce a new weighted average cost of a currency position, gold, debt or equity instrument.
- *Capital key*: the percentage shares of the shareholdings of each national central bank (NCB) in the European Central Bank.
- *Cash/settlement approach*: an accounting approach under which accounting events are recorded at the settlement date.
- *Central clearing counterparty*: a legal person that interposes itself between the counterparties to contracts traded on one or more financial markets, becoming the buyer to every seller and the seller to every buyer.
- *Clean price*: the transaction price excluding any rebate/accrued interest, but including transaction costs that form part of the price.
- *Compensatory amount*: an adjustment made in the calculation of monetary income in line with Decision (EU) 2016/2248 of the European Central Bank (ECB/2016/36) ⁽¹⁾.
- *Discount*: the difference between the par value of a security and its price when this price is lower than par.
- *Discount security*: an asset which does not pay coupon interest, and the return on which is achieved by capital appreciation because the asset is issued or bought at a discount from its nominal or par value.
- *Earmarked portfolio*: earmarked investment held on the assets side of the balance sheet as a counterpart fund, consisting of debt securities, equity instruments, fixed-term deposits and current accounts, participating interests and/or investments in subsidiaries. It matches an identifiable item on the liabilities side of the balance sheet, irrespective of any legal, statutory or other constraints.
- *Economic approach*: an accounting approach under which deals are recorded on the trade or transaction date.
- *Emergency liquidity assistance (ELA)*: Assistance given to a solvent financial institution, or group of solvent financial institutions, that is facing temporary liquidity problems. ELA is provided by the NCBs with the approval of the Governing Council.
- *Equity instruments*: dividend-bearing securities, i.e. corporate shares, and securities evidencing an investment in an equity fund.

⁽¹⁾ Decision (EU) 2016/2248 of the European Central Bank of 3 November 2016 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (ECB/2016/36) (see page 26 of this Official Journal).

- *Exchange rate*: the value of one currency for the purpose of conversion to another.
- *Exchange rate mechanism II (ERM II)*: the procedures for an exchange-rate mechanism in stage three of Economic and Monetary Union.
- *Extended Custodial Inventory (ECI) programme*: a programme establishing a depot outside the euro area managed by a commercial bank in which euro banknotes are held in custody on behalf of the Eurosystem for the supply and receipt of euro banknotes.
- *Financial asset*: any asset that is: (a) cash; (b) a contractual right to receive cash or another financial instrument from another undertaking; (c) a contractual right to exchange financial instruments with another undertaking under conditions that are potentially favourable; or (d) another undertaking's equity instrument.
- *Financial liability*: any liability that is a legal obligation to deliver cash or another financial instrument to another undertaking or to exchange financial instruments with another undertaking under conditions that are potentially unfavourable.
- *Foreign currency holding*: the net position in the respective currency. For the purpose of this definition, special drawing rights (SDRs) are considered as a separate currency; transactions that entail a change of the net position in SDRs are either transactions denominated in SDRs or transactions in foreign exchange replicating the basket composition of the SDRs (having regard to the relevant basket definition and weightings).
- *Foreign exchange forward*: a contract in which the outright purchase or sale of a certain amount denominated in a foreign currency against another currency, usually the domestic currency, is agreed on a particular day and the amount is to be delivered at a specified future date, more than two working days after the date of the contract, at a given price. This forward rate of exchange consists of the prevailing spot rate plus/minus an agreed premium/discount.
- *Foreign exchange swap*: the simultaneous spot purchase or sale of one currency against another (short leg) and forward sale or purchase of the same amount of this currency against the other currency (long leg).
- *Forward rate agreement*: a contract in which two parties agree the interest rate to be paid on a notional deposit of a specified maturity on a specific future date. At the settlement date compensation has to be paid by one party to the other, depending on the difference between the contracted interest rate and the market rate on the settlement date.
- *Forward transactions in securities*: over-the-counter contracts in which the purchase or sale of an interest rate instrument, usually a bond or note, is agreed on the contract date to be delivered at a future date, at a given price.
- *Futures contract*: an exchange-traded forward contract. In such a contract, the purchase or sale of an underlying instrument is agreed on the contract date to be delivered at a future date, at a given price. Usually no actual delivery takes place as the contract is closed out before the agreed maturity.
- *Futures-style option*: a listed option where a variation margin is paid or received on a daily basis.
- *Generally accepted accounting principles (GAAP)*: a common set of accounting principles, standards and procedures that entities use to prepare their financial statements. GAAP are a combination of authoritative standards (set by policy boards) and commonly accepted ways of recording and reporting accounting information.
- *Hedging*: the process of offsetting the risks on financial or other assets or liabilities against one another, so as to reduce the overall consequences of adverse movements in prices, interest rates or exchange rates.
- *Held-to-maturity securities*: securities with fixed or determinable payments and a fixed maturity, which the reporting entity intends to hold until maturity.
- *Impairment*: a decline of the recoverable amount below the carrying amount.
- *Interest rate swap*: a contractual agreement to exchange cash flows representing streams of periodic interest payments with a counterparty either in one currency or, in the case of cross-currency transactions, in two different currencies.

- *Internal rate of return*: the discount rate at which the accounting value of a security is equal to the present value of the future cash flow.
- *International Financial Reporting Standards*: the International Financial Reporting Standards, International Accounting Standards and related interpretations by e.g. the Standing Interpretation Committee and International Financial Reporting Interpretations Committee that are adopted by the European Union.
- *International securities identification number (ISIN)*: the number issued by the relevant competent issuing authority.
- *Liability*: a present obligation of an undertaking arising from past events, the settlement of which is expected to result in an outflow from the undertaking of resources embodying economic benefits.
- *Longer term refinancing operations*: regular open market operations that are executed by the Eurosystem in the form of reverse transactions that are aimed at providing liquidity with a maturity longer than that of the main refinancing operations to the financial sector.
- *Main refinancing operation (MRO)*: a regular open market operation executed by the Eurosystem in the form of a reverse transaction. MROs are conducted through weekly standard tenders and normally have a maturity of one week.
- *Market price*: the price that is quoted for a gold, foreign exchange or securities instrument usually excluding accrued or rebate interest either on an organised market, e.g. a stock exchange or a non-organised market, e.g. an over-the-counter market.
- *Maturity date*: the date on which the nominal/principal value becomes due and payable in full to the holder.
- *Mid-market price*: the mid-point between the bid price and the offer price for a security based on quotations for transactions of normal market size by recognised market-makers or recognised trading exchanges, which is used for the quarterly revaluation procedure.
- *Mid-market rates*: the euro foreign exchange reference rates that are generally based on the regular concertation procedure between central banks within and outside the European System of Central Banks (ESCB), which normally takes place at 14.15 Central European Time, and which are used for the quarterly revaluation procedure.
- *Monetary income*: The income accruing to the NCBs in the performance of the ESCB's monetary policy function. Monetary income is pooled and allocated amongst the NCBs at the end of each financial year.
- *Option*: a contract that provides the holder the right, but not the obligation, to buy or sell a specific amount of a given stock, commodity, currency, index, or debt, at a specified price during a specified period of time or on the date of expiration.
- *Premium*: the difference between the par value of a security and its price when this price is higher than par.
- *Provisions*: amounts set aside before arriving at the profit or loss figure in order to provide for any known or expected liability or risk, the cost of which cannot be accurately determined (see Reserves). Provisions for future liabilities and charges may not be used to adjust the value of assets.
- *Realised gains/losses*: gains/losses arising out of the difference between the sale price of a balance sheet item and its adjusted cost.
- *Repurchase agreement (repo)*: an arrangement with the economic purpose of borrowing money whereby an asset, usually a fixed income security, is sold to a buyer without any retention of ownership on the part of the seller, while the seller simultaneously obtains the right and the obligation to repurchase an equivalent asset at a specific price on a future date or on demand.
- *Reserves*: an amount set aside out of distributable profits which is not intended to meet any specific liability, contingency or expected diminution in the value of assets known to exist at the balance sheet date.

- *Revaluation accounts*: balance sheet accounts for registration of the difference in the value of an asset or liability between the adjusted cost of its acquisition and its valuation at an end-of-period market price, when the latter is higher than the former in the case of assets, and when the latter is lower than the former in the case of liabilities. They include differences in price quotations and/or market exchange rates.
- *Reverse repurchase agreement (reverse repo)*: a contract under which a cash holder agrees to the purchase of an asset and, simultaneously, agrees to resell the asset for an agreed price on demand, after a stated time, or in the event of a particular contingency. Sometimes a repo transaction is agreed via a third party (triparty repo).
- *Reverse transaction*: an operation whereby a reporting entity buys (reverse repo) or sells (repo) assets under a repurchase agreement or conducts credit operations against collateral.
- *Settlement*: an act that discharges obligations in respect of funds or assets transfers between two or more parties. In the context of intra-Eurosystem transactions, settlement refers to the elimination of the net balances arising from intra-Eurosystem transactions and requires the transfer of assets.
- *Settlement date*: the date on which the final and irrevocable transfer of value has been recorded in the books of the relevant settlement institution. The settlement's timing can be immediate (real-time), same day (end-of-day) or an agreed date after the date on which the commitment has been entered into.
- *Spot rate*: the rate at which a transaction settles on the spot settlement date. In relation to foreign exchange forward transactions, the spot rate is the rate to which the forward points are applied in order to derive the forward rate.
- *Spot settlement date*: the date on which a spot transaction in a financial instrument is settled in accordance with prevailing market conventions for that financial instrument.
- *Straight-line method*: depreciation or amortisation is determined over a given period by dividing the cost of the asset, less its estimated residual value, by the estimated useful life of the asset *pro rata temporis*.
- *Strike price*: the specified price on an option contract at which the option may be exercised.
- *Synthetic instrument*: a financial instrument created artificially by combining two or more instruments with the aim of replicating the cash flow and valuation patterns of another instrument. This is normally done via a financial intermediary.
- *TARGET2*: the Trans-European Automated Real-time Gross settlement Express Transfer system, pursuant to Guideline ECB/2012/27 ⁽¹⁾.
- *Trade date (also known as transaction date)*: the date on which a transaction is made.
- *Transaction costs*: costs which are identifiable as related to the specific transaction.
- *Transaction price*: the price agreed between the parties when a contract is made.
- *Unrealised gains/losses*: gains/losses arising from the revaluation of assets compared to their adjusted cost of acquisition.

⁽¹⁾ Guideline ECB/2012/27 of 5 December 2012 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2) (OJ L 30, 30.1.2013, p. 1).

ANNEX III

DESCRIPTION OF THE ECONOMIC APPROACH

(including the 'regular' and 'alternative' approaches referred to in Article 5)

1. **Trade date accounting**

1.1. Trade date accounting may be implemented either by the 'regular approach' or the 'alternative approach'.

1.2. Article 5(1)(a) refers to the 'regular approach'.

1.2.1 Transactions are recorded on off-balance-sheet accounts on the trade date.

On the settlement date the off-balance-sheet booking entries are reversed, and the transactions are booked on balance sheet accounts.

1.2.2 The foreign currency positions are affected on the trade date.

Consequently, realised gains and losses arising from net sales are also calculated on the trade date. Net purchases of foreign currency affect the currency holding's average cost at the trade date.

1.3. Article 5(1)(b) refers to the 'alternative approach'.

1.3.1 Contrary to the 'regular approach', there is no daily off-balance-sheet booking of the agreed transactions which are settled at a later date. The recognition of realised income and the calculation of new average costs is conducted at the settlement date ⁽¹⁾.

1.3.2 For transactions agreed in 1 year but maturing in a subsequent year, the income recognition is treated according to the 'regular approach'. This means that realised effects from sales impact on the profit and loss accounts of the year in which the transaction was agreed and purchases change the average cost of a holding in the year in which the transaction was agreed.

1.4. The following table shows the main characteristics of the two techniques developed for individual foreign exchange instruments and for securities.

TRADE DATE ACCOUNTING	
'Regular approach'	'Alternative approach'
Foreign exchange spot transactions — treatment during the year	
Foreign exchange purchases are booked off-balance-sheet at trade date and affect the average cost of the foreign currency position from this date. Gains and losses arising from sales are considered as realised at transaction or trade date. At settlement date, the off-balance-sheet entries are reversed and on-balance-sheet entries are made.	Foreign exchange purchases are booked on the balance sheet at settlement date, affecting the average cost of the foreign currency position from this date. Gains and losses arising from sales are considered as realised at settlement date. At trade date, no on-balance-sheet accounting entry is made.
Foreign exchange forward transactions — treatment during the year	
Treated in the same way as described above for spot transactions, being recorded at the spot rate of the transaction	Foreign exchange purchases are booked off-balance-sheet at the spot settlement date of the transaction, affecting the average cost of the foreign currency position from this date and at the spot rate of the transaction.

⁽¹⁾ In the case of foreign exchange forward transactions the currency holding is affected on the spot settlement date, i.e. usually trade date + 2 days.

TRADE DATE ACCOUNTING

'Regular approach'	'Alternative approach'
	<p>Foreign exchange sales are booked off-balance-sheet at the spot settlement date of the transaction. Gains and losses are considered as realised at the spot settlement date of the transaction.</p> <p>At settlement date, the off-balance-sheet entries are reversed and on-balance-sheet entries are made.</p> <p>For period-end treatment see below.</p>

Foreign exchange spot and forward transactions initiated in year 1 with the spot settlement date of the transaction in year 2

<p>No special arrangement is needed because transactions are booked at trade date and gains and losses are recognised at that date.</p>	<p>Should be treated as under the 'regular approach' (*):</p> <ul style="list-style-type: none"> — Foreign exchange sales are booked off-balance-sheet in year 1 in order to report the foreign exchange realised gains/losses in the financial year in which the transaction was agreed. — Foreign exchange purchases are booked off-balance-sheet in year 1 affecting the average cost of the foreign currency position from this date. — Year-end revaluation of a currency holding must take into account net purchases/sales with a spot settlement date in the following financial year.
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Securities transactions — treatment during the year

<p>Purchases and sales are recognised off-balance-sheet at trade date. Gains and losses are also recognised at this date. At settlement date the off-balance-sheet entries are reversed, and on-balance-sheet entries are made, i.e. the same treatment as foreign exchange spot transactions.</p>	<p>All transactions are recorded at settlement date; however see below for period-end treatment. Consequently the impact on the average cost, in the event of purchases, and gains/losses, in the event of sales, is recognised at settlement date.</p>
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Securities transactions initiated in year 1 with the spot settlement date of the transaction in year 2

<p>No special treatment required as transactions and consequences are already booked at trade date.</p>	<p>Realised gains and losses are recognised in year 1 at the period end, i.e. the same treatment as foreign exchange spot transactions, and purchases are included in the year-end revaluation process (*)</p>
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(*) The principle of materiality may be applied where these transactions have no material impact on the foreign currency position and/or in the profit and loss account.

2. Daily booking of accrued interest, including premiums or discounts

- 2.1. Interest, premium or discount accrued related to financial instruments denominated in foreign currency is calculated and booked on a daily basis, independently of real cash flow. This means that the foreign currency position is affected when this accrued interest is booked, as opposed to only when the interest is received or paid ⁽²⁾.

⁽²⁾ Two possible approaches for the recognition of accruals have been identified. The first is the 'calendar day approach' where the accruals are recorded every calendar day independently of whether a day is a weekend day, a bank holiday or a business day. The second is the 'business day approach' in which accruals are only booked on business days. There is no preference regarding the choice of approach. However, if the last day of the year is not a business day it needs to be included in the calculation of accruals in either approach.

- 2.2. Coupon accruals and amortisation of premium or discount are calculated and booked from the settlement date of the purchase of the security until the settlement date of sale, or until the contractual maturity date.
- 2.3. The table below outlines the impact of the daily booking of accruals on the foreign exchange holding, e.g. interest payable and amortised premium/discounts:

Daily booking of accrued interest as part of the economic approach

Accruals for foreign exchange denominated instruments are calculated and booked daily at the exchange rate of the recording day.

Impact on the foreign exchange holding

Accruals affect the foreign currency position at the time they are booked, not being reversed later on. The accrual is cleared when the actual cash is received or paid. At settlement date there is thus no effect on the foreign currency position, since the accrual is included in the position being revalued at the periodic revaluation.

ANNEX IV

COMPOSITION AND VALUATION RULES FOR THE BALANCE SHEET ⁽¹⁾

ASSETS

Balance sheet item ⁽²⁾		Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽³⁾	
1	1	Gold and gold receivables	Physical gold, i.e. bars, coins, plates, nuggets in storage or 'under way'. Non-physical gold, such as balances in gold sight accounts (unallocated accounts), term deposits and claims to receive gold arising from the following transactions: (a) upgrading or downgrading transactions; and (b) gold location or purity swaps where there is a difference of more than one business day between release and receipt	Market value	Mandatory
2	2	Claims on non-euro area residents denominated in foreign currency	Claims on counterparties resident outside the euro area including international and supranational institutions and central banks outside the euro area denominated in foreign currency		
2.1	2.1	Receivables from the International Monetary Fund (IMF)	<p>(a) Drawing rights within the reserve tranche (net) National quota minus balances in euro at the disposal of the IMF. The No 2 account of the IMF (euro account for administrative expenses) may be included in this item or under the item 'Liabilities to non-euro area residents denominated in euro'</p> <p>(b) Special Drawing Rights (SDRs) Holdings of SDRs (gross)</p> <p>(c) Other claims General arrangements to borrow, loans under special borrowing arrangements, deposits made to trusts under the management of the IMF</p>	<p>(a) Drawing rights within the reserve tranche (net) Nominal value, translated at the foreign exchange market rate</p> <p>(b) SDRs Nominal value, translated at the foreign exchange market rate</p> <p>(c) Other claims Nominal value, translated at the foreign exchange market rate</p>	<p>Mandatory</p> <p>Mandatory</p> <p>Mandatory</p>
2.2	2.2	Balances with banks and security investments, external loans and other external assets	<p>(a) Balances with banks outside the euro area other than those under asset item 11.3 'Other financial assets' Current accounts, fixed-term deposits, day-to-day money, reverse repo transactions</p>	<p>(a) Balances with banks outside the euro area Nominal value, translated at the foreign exchange market rate</p>	Mandatory

Balance sheet item ⁽²⁾		Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽³⁾
		<p>(b) Security investments outside the euro area other than those under asset item 11.3 'Other financial assets'</p> <p>Notes and bonds, bills, zero bonds, money market paper, equity instruments held as part of the foreign reserves, all issued by non-euro area residents</p>	<p>(b) (i) <i>Marketable debt securities other than held-to-maturity</i></p> <p>Market price and foreign exchange market rate</p> <p>Any premiums or discounts are amortised</p> <p>(ii) <i>Marketable debt securities classified as held-to-maturity</i></p> <p>Cost subject to impairment and foreign exchange market rate</p> <p>Any premiums or discounts are amortised</p> <p>(iii) <i>Non-marketable debt securities</i></p> <p>Cost subject to impairment and foreign exchange market rate</p> <p>Any premiums or discounts are amortised</p> <p>(iv) <i>Marketable equity instruments</i></p> <p>Market price and foreign exchange market rate</p>	<p>Mandatory</p> <p>Mandatory</p> <p>Mandatory</p> <p>Mandatory</p>
		<p>(c) External loans (deposits) outside the euro area other than those under asset item 11.3 'Other financial assets'</p>	<p>(c) External loans</p> <p>Deposits at nominal value translated at the foreign exchange market rate</p>	<p>Mandatory</p>
		<p>(d) Other external assets</p> <p>Non-euro area banknotes and coins</p>	<p>(d) Other external assets</p> <p>Nominal value, translated at the foreign exchange market rate</p>	<p>Mandatory</p>
3	3	<p>Claims on euro area residents denominated in foreign currency</p>	<p>(a) (i) <i>Marketable debt securities other than held-to-maturity</i></p> <p>Market price and foreign exchange market rate</p> <p>Any premiums or discounts are amortised</p> <p>(ii) <i>Marketable debt securities classified as held-to-maturity</i></p> <p>Cost subject to impairment and foreign exchange market rate</p> <p>Any premiums or discounts are amortised</p>	<p>Mandatory</p> <p>Mandatory</p>

Balance sheet item ⁽²⁾		Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽³⁾	
			<p>(iii) <i>Non-marketable debt securities</i> Cost subject to impairment and foreign exchange market rate Any premiums or discounts are amortised</p> <p>(iv) <i>Marketable equity instruments</i> Market price and foreign exchange market rate</p>	Mandatory	
		<p>(b) <i>Other claims on euro area residents other than those under asset item 11.3 'Other financial assets'</i> Loans, deposits, reverse repo transactions, sundry lending</p>	<p>(b) <i>Other claims</i> Deposits and other lending at nominal value, translated at the foreign exchange market rate</p>	Mandatory	
4	4	Claims on non-euro area residents denominated in euro			
4.1	4.1	Balances with banks, security investments and loans	<p>(a) <i>Balances with banks outside the euro area other than those under asset item 11.3 'Other financial assets'</i> Current accounts, fixed-term deposits, day-to-day money. Reverse repo transactions in connection with the management of securities denominated in euro</p> <p>(b) <i>Security investments outside the euro area other than those under asset item 11.3 'Other financial assets'</i> Equity instruments, notes and bonds, bills, zero bonds, money market paper, all issued by non-euro area residents</p>	<p>(a) <i>Balances with banks outside the euro area</i> Nominal value</p> <p>(b) (i) <i>Marketable debt securities other than held-to-maturity</i> Market price Any premiums or discounts are amortised</p> <p>(ii) <i>Marketable debt securities classified as held-to-maturity</i> Cost subject to impairment Any premiums or discounts are amortised</p> <p>(iii) <i>Non-marketable debt securities</i> Cost subject to impairment Any premiums or discounts are amortised</p> <p>(iv) <i>Marketable equity instruments</i> Market price</p>	<p>Mandatory</p> <p>Mandatory</p> <p>Mandatory</p> <p>Mandatory</p>

Balance sheet item ⁽²⁾		Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽³⁾	
		<p>(c) Loans outside the euro area other than those under asset item 11.3 'Other financial assets'</p> <p>(d) Securities other than those under asset item 11.3 'Other financial assets' and asset item 7.1 'Securities held for monetary policy purposes', issued by entities outside the euro area</p> <p>Securities issued by supranational or international organisations, e.g. the European Investment Bank, irrespective of their geographical location, and not purchased for monetary policy purposes</p>	<p>(c) Loans outside the euro area Deposits at nominal value</p> <p>(d) (i) <i>Marketable debt securities other than held-to-maturity</i> Market price Any premiums or discounts are amortised</p> <p>(ii) <i>Marketable debt securities classified as held-to-maturity</i> Cost subject to impairment Any premiums or discounts are amortised</p> <p>(iii) <i>Non-marketable debt securities</i> Cost subject to impairment Any premiums or discounts are amortised</p>	<p>Mandatory</p> <p>Mandatory</p> <p>Mandatory</p> <p>Mandatory</p>	
4.2	4.2	Claims arising from the credit facility under Exchange Rate Mechanism (ERM) II	Lending according to the ERM II conditions	Nominal value	Mandatory
5	5	Lending to euro area credit institutions related to monetary policy operations denominated in euro	Items 5.1 to 5.5: transactions according to the respective monetary policy instruments described in Guideline (EU) 2015/510 of the European Central Bank (ECB/2014/60) ⁽⁴⁾		
5.1	5.1	Main refinancing operations	Regular liquidity-providing reverse transactions with a weekly frequency and normally a maturity of one week	Nominal value or repo cost	Mandatory

Balance sheet item ⁽²⁾		Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽³⁾	
5.2	5.2	Longer-term re-financing operations	Regular liquidity-providing reverse transactions normally with a monthly frequency, with a maturity longer than that of the main refinancing operations	Nominal value or repo cost	Mandatory
5.3	5.3	Fine-tuning reverse operations	Reverse transactions, executed as ad hoc transactions for fine-tuning purposes	Nominal value or repo cost	Mandatory
5.4	5.4	Structural reverse operations	Reverse transactions adjusting the structural position of the Eurosystem vis-à-vis the financial sector	Nominal value or repo cost	Mandatory
5.5	5.5	Marginal lending facility	Overnight liquidity facility at a pre-specified interest rate against eligible assets (standing facility)	Nominal value or repo cost	Mandatory
5.6	5.6	Credits related to margin calls	Additional credit to credit institutions, arising from value increases of underlying assets regarding other credit to these credit institutions	Nominal value or cost	Mandatory
6	6	Other claims on euro area credit institutions denominated in euro	Current accounts, fixed-term deposits, day-to-day money, reverse repo transactions in connection with the management of security portfolios under the asset item 7 'Securities of euro area residents denominated in euro', including transactions resulting from the transformation of former foreign currency reserves of the euro area and other claims. Correspondent accounts with non-domestic euro area credit institutions. Other claims and operations unrelated to monetary policy operations of the Eurosystem including Emergency Liquidity Assistance. Any claims stemming from monetary policy operations initiated by a National Central Bank (NCB) prior to joining the Eurosystem	Nominal value or cost	Mandatory

Balance sheet item ⁽²⁾		Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽³⁾	
7	7	Securities of euro area residents denominated in euro			
7.1	7.1	Securities held for monetary policy purposes	<p>Securities held for monetary policy purposes (including securities purchased for monetary policy purposes that are issued by supranational or international organisations, or multilateral development banks, irrespective of their geographical location). European Central Bank (ECB) debt certificates purchased for fine-tuning purposes</p>	<p>(a) Marketable debt securities Accounted for depending on monetary policy considerations:</p> <p>(i) <i>Market price</i> Any premiums or discounts are amortised</p> <p>(ii) <i>Cost subject to impairment (cost when the impairment is covered by a provision under liability item 13(b) 'Provisions')</i> Any premiums or discounts are amortised</p> <p>(b) Non-marketable debt securities Cost subject to impairment Any premiums or discounts are amortised</p>	<p>Mandatory</p> <p>Mandatory</p>
7.2	7.2	Other securities	<p>Securities other than those under asset item 7.1 'Securities held for monetary policy purposes' and under asset item 11.3 'Other financial assets'; notes and bonds, bills, zero bonds, money market paper held outright, including government securities stemming from before Economic and Monetary Union (EMU), denominated in euro. Equity instruments</p>	<p>(a) Marketable debt securities other than held-to-maturity Market price Any premiums or discounts are amortised</p> <p>(b) Marketable debt securities classified as held-to-maturity Cost subject to impairment Any premiums or discounts are amortised</p> <p>(c) Non-marketable debt securities Cost subject to impairment Any premiums or discounts are amortised</p> <p>(d) Marketable equity instruments Market price</p>	<p>Mandatory</p> <p>Mandatory</p> <p>Mandatory</p> <p>Mandatory</p>
8	8	General government debt denominated in euro	<p>Claims on government stemming from before EMU (non-marketable securities, loans)</p>	<p>Deposits/loans at nominal value, non-marketable securities at cost</p>	<p>Mandatory</p>

Balance sheet item ⁽²⁾		Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽³⁾
—	9	Intra-Eurosystem claims⁺		
—	9.1	Participating interest in ECB⁺	Only an NCB balance sheet item The ECB capital share of each NCB in accordance with the Treaty and the respective capital key and contributions in accordance with Article 48.2 of the Statute of the ESCB	Cost Mandatory
—	9.2	Claims equivalent to the transfer of foreign reserves⁺	Only an NCB balance sheet item Euro-denominated claims on the ECB in respect of initial and additional transfers of foreign reserves under Article 30 of the Statute of the ESCB	Nominal value Mandatory
—	9.3	Claims related to the issuance of ECB debt certificates⁺	Only an ECB balance sheet item Intra-Eurosystem claims vis-à-vis NCBs, arising from the issuance of ECB debt certificates	Cost Mandatory
—	9.4	Net claims related to the allocation of euro banknotes within the Eurosystem⁺ (*)	For the NCBs: net claim related to the application of the banknote allocation key i.e. including the ECB's banknote issue related intra-Eurosystem balances, the compensatory amount and its balancing accounting entry as defined by Decision (EU) 2016/2248 (ECB/2016/36) ⁽⁵⁾ For the ECB: claims related to the ECB's banknote issue, in accordance with Decision ECB/2010/29	Nominal value Mandatory
—	9.5	Other claims within the Eurosystem (net)⁺	Net position of the following sub-items: (a) net claims arising from balances of TARGET2 accounts and correspondent accounts of NCBs, i.e. the net figure of claims and liabilities — see also liability item 10.4 'Other liabilities within the Eurosystem (net)' (b) claim due to the difference between monetary income to be pooled and redistributed. Only relevant for the period between booking of monetary income as part of the year-end procedures, and its settlement on the last working day in January each year	(a) Nominal value Mandatory (b) Nominal value Mandatory

Balance sheet item ⁽²⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽³⁾
			(c) other intra-Eurosystem claims denominated in euro that may arise, including the interim distribution of ECB income (*)	(c) Nominal value	Mandatory
9	10	Items in the course of settlement	Settlement account balances (claims), including the float of cheques in collection	Nominal value	Mandatory
9	11	Other assets			
9	11.1	Coins of euro area	Euro coins if an NCB is not the legal issuer	Nominal value	Mandatory
9	11.2	Tangible and intangible fixed assets	Land and buildings, furniture and equipment including computer equipment, software	Cost less depreciation Depreciation rates: — computers and related hardware/software and motor vehicles: 4 years — equipment, furniture and plant in building: 10 years — building and capitalised major refurbishment expenditure: 25 years Capitalisation of expenditure: limit based (below EUR 10 000 excluding VAT: no capitalisation)	Recommended
9	11.3	Other financial assets	<ul style="list-style-type: none"> — Participating interests and investments in subsidiaries; equities held for strategic/policy reasons — Securities, including equities, and other financial instruments and balances, e.g. fixed-term deposits and current accounts held as an earmarked portfolio — Reverse repo transactions with credit institutions in connection with the management of securities portfolios under this item 	<p>(a) Marketable equity instruments Market price</p> <p>(b) Participating interests and illiquid equity shares, and any other equity instruments held as permanent investments Cost subject to impairment</p> <p>(c) Investment in subsidiaries or significant interests Net asset value</p> <p>(d) Marketable debt securities other than held-to-maturity Market price Any premiums or discounts are amortised</p>	<p>Recommended</p> <p>Recommended</p> <p>Recommended</p> <p>Recommended</p>

Balance sheet item ⁽²⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽³⁾
			<p>(e) Marketable debt securities classified as held-to-maturity or held as a permanent investment Cost subject to impairment Any premiums or discounts are amortised</p> <p>(f) Non-marketable debt securities Cost subject to impairment Any premiums or discounts are amortised</p> <p>(g) Balances with banks and loans Nominal value, translated at the foreign exchange market rate if the balances or deposits are denominated in foreign currencies</p>	<p>Recommended</p> <p>Recommended</p> <p>Recommended</p>	
9	11.4	Off-balance-sheet instruments revaluation differences	Valuation results of foreign exchange forwards, foreign exchange swaps, interest rate swaps (unless daily variation margin applies), forward rate agreements, forward transactions in securities, foreign exchange spot transactions from trade date to settlement date	Net position between forward and spot, at the foreign exchange market rate	Mandatory
9	11.5	Accruals and prepaid expenditure	Income not due in, but assignable to the reported period. Prepaid expenditure and accrued interest paid, i.e. accrued interest purchased with a - security	Nominal value, foreign exchange translated at market rate	Mandatory
9	11.6	Sundry	<p>(a) Advances, loans and other minor items. Loans on a trust basis. Coins denominated in national euro area currency units. Current expense (net accumulated loss), loss of the previous year before coverage.</p> <p>(b) Revaluation suspense accounts (only a balance sheet item during the year: unrealised losses at revaluation dates during the year, which are not covered by the relevant revaluation accounts under the liability item 'Revaluation accounts').</p>	<p>(a) Nominal value or cost</p> <p>(b) Revaluation difference between average cost and market value, foreign exchange translated at market rate</p>	<p>Recommended</p> <p>Mandatory</p>

Balance sheet item ⁽²⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽³⁾
			(c) Investments related to customer gold deposits	(c) Market value	Mandatory
			(d) Net pension assets.	(d) As per Article 28(2)	Recommended
			(e) Outstanding claims arising from the default of Eurosystem counterparties in the context of Eurosystem credit operations.	(e) Nominal/recoverable value (before/after settlement of losses)	Mandatory
			(f) Assets or claims (vis-à-vis third parties) appropriated and/or acquired in the context of the realisation of collateral submitted by Eurosystem counterparties in default	(f) Cost (converted at the foreign exchange market rate at the time of the acquisition if financial assets are denominated in foreign currencies)	Mandatory
—	12	Loss for the year		Nominal value	Mandatory

(*) Items to be harmonised.

(1) Disclosure relating to euro banknotes in circulation, remuneration of net intra-Eurosystem claims/liabilities resulting from the allocation of euro banknotes within the Eurosystem, and monetary income should be harmonised in NCBS' published annual financial statements. The items to be harmonised are indicated with an asterisk in Annexes IV, VIII and IX.

(2) The numbering in the first column relates to the balance sheet formats given in Annexes V, VI and VII (weekly financial statements and consolidated annual balance sheet of the Eurosystem). The numbering in the second column relates to the balance sheet format given in Annex VIII (annual balance sheet of a central bank). The items marked with a “*” are consolidated in the Eurosystem's weekly financial statements.

(3) The composition and valuation rules listed in this Annex are considered mandatory for the ECB's accounts and for all material assets and liabilities in NCBS' accounts for Eurosystem purposes, i.e. material to the Eurosystem's operation.

(4) Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60) (OJ L 91, 2.4.2015, p. 3).

(5) Decision (EU) 2016/2248 (ECB/2016/36).

LIABILITIES

Balance sheet item ⁽¹⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽²⁾
1	1	Banknotes in circulation (*)	(a) Euro banknotes, plus/minus adjustments relating to the application of the banknote allocation key in accordance with Decision (EU) 2016/2248 (ECB/2016/36) and Decision ECB/2010/29	(a) Nominal value	Mandatory
			(b) Banknotes denominated in national euro area currency units during the cash changeover year	(b) Nominal value	Mandatory

Balance sheet item ⁽¹⁾		Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽²⁾	
2	2	Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	Items 2.1, 2.2, 2.3 and 2.5: deposits in euro as described in Guideline (EU) 2015/510 (ECB/2014/60)		
2.1	2.1	Current accounts (covering the minimum reserve system)	Euro accounts of credit institutions that are included in the list of financial institutions subject to minimum reserves in accordance with the Statute of the ESCB. This item contains primarily accounts used in order to hold minimum reserves	Nominal value	Mandatory
2.2	2.2	Deposit facility	Overnight deposits at a pre-specified interest rate (standing facility)	Nominal value	Mandatory
2.3	2.3	Fixed-term deposits	Collection for liquidity absorption purposes owing to fine-tuning operations	Nominal value	Mandatory
2.4	2.4	Fine-tuning reverse operations	Monetary policy-related transactions with the aim of liquidity absorption	Nominal value or repo cost	Mandatory
2.5	2.5	Deposits related to margin calls	Deposits of credit institutions, arising from value decreases of underlying assets regarding credits to these credit institutions	Nominal value	Mandatory
3	3	Other liabilities to euro area credit institutions denominated in euro	Repo transactions in connection with simultaneous reverse repo transactions for the management of securities portfolios under asset item 7 'Securities of euro area residents denominated in euro'. Other operations unrelated to Eurosystem monetary policy operations. No current accounts of credit institutions. Any liabilities/deposits stemming from monetary policy operations initiated by a central bank prior to joining the Eurosystem	Nominal value or repo cost	Mandatory

Balance sheet item ⁽¹⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽²⁾
4	4	Debt certificates issued	Only an ECB balance sheet item — for the NCBs a transitional balance sheet item. Debt certificates as described in Guideline (EU) 2015/510 (ECB/2014/60). Discount paper, issued with the aim of liquidity absorption	Cost Any discounts are amortised	Mandatory
5	5	Liabilities to other euro area residents denominated in euro			
5.1	5.1	General government	Current accounts, fixed-term deposits, deposits repayable on demand	Nominal value	Mandatory
5.2	5.2	Other liabilities	Current accounts of staff, companies and clients including financial institutions listed as exempt from the obligation to hold minimum reserves (see liability item 2.1 'Current accounts'); fixed-term deposits, deposits repayable on demand	Nominal value	Mandatory
6	6	Liabilities to non-euro area residents denominated in euro	Current accounts, fixed-term deposits, deposits repayable on demand including accounts held for payment purposes and accounts held for reserve management purposes: of other banks, central banks, international/supranational institutions including the European Commission; current accounts of other depositors. Repo transactions in connection with simultaneous reverse repo transactions for the management of securities denominated in euro. Balances of TARGET2 accounts of central banks of Member States whose currency is not the euro	Nominal value or repo cost	Mandatory
7	7	Liabilities to euro area residents denominated in foreign currency	Current accounts, liabilities under repo transactions; usually investment transactions using foreign currency assets or gold	Nominal value, translated at the foreign exchange market rate	Mandatory

Balance sheet item ⁽¹⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽²⁾
8	8	Liabilities to non-euro area residents denominated in foreign currency			
8.1	8.1	Deposits, balances and other liabilities	Current accounts. Liabilities under repo transactions; usually investment transactions using foreign currency assets or gold	Nominal value, translated at the foreign exchange market rate	Mandatory
8.2	8.2	Liabilities arising from the credit facility under ERM II	Borrowing in accordance with the ERM II conditions	Nominal value, translated at the foreign exchange market rate	Mandatory
9	9	Counterpart of special drawing rights allocated by the IMF	SDR-denominated item which shows the amount of SDRs that were originally allocated to the respective country/NCB	Nominal value, translated at the market rate	Mandatory
—	10	Intra-Eurosystem liabilities⁺			
—	10.1	Liabilities equivalent to the transfer of foreign reserves⁺	Only an ECB balance sheet item denominated in euro	Nominal value	Mandatory
—	10.2	Liabilities related to the issuance of ECB debt certificates⁺	Only an NCB balance sheet item Intra-Eurosystem liability vis-à-vis the ECB, arising from the issuance of ECB debt certificates	Cost	Mandatory
—	10.3	Net liabilities related to allocation of euro banknotes within the Eurosystem⁺ (*)	Only an NCB balance sheet item. For the NCBs: net liability related to the application of the banknote allocation key, i.e. including the ECB's banknote issue related intra-Eurosystem balances, the compensatory amount and its balancing accounting entry as defined by Decision (EU) 2016/2248 (ECB/2016/36)	Nominal value	Mandatory

Balance sheet item ⁽¹⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽²⁾
10	12.3	Sundry	(a) Taxation suspense accounts. Foreign currency credit or guarantee cover accounts. Repo transactions with credit institutions in connection with simultaneous reverse repo transactions for the management of securities portfolios under asset item 11.3 'Other financial assets'. Compulsory deposits other than reserve deposits. Other minor items. Current income (net accumulated profit), profit of the previous year before distribution. Liabilities on a trust basis. Coins in circulation if an NCB is the legal issuer. Banknotes in circulation denominated in national euro area currency units that have ceased to be legal tender but are still in circulation after the cash changeover year, if not shown under the liability item 'Provisions'	(a) Nominal value or (repo) cost	Recommended
			(b) Customer gold deposits	(b) Market value	Mandatory
			(c) Net pension liabilities	(c) As per Article 28(2)	Recommended
10	13	Provisions	(a) For pensions, for foreign exchange rate, interest rate, credit and gold price risks, and for other purposes, e.g. expected future expenses, provisions for national euro area currency units that have ceased to be legal tender but are still in circulation after the cash changeover year if these banknotes are not shown under liability item 12.3 'Other liabilities/sundry' The contributions from NCBs to the ECB in accordance with Article 48.2 of the Statute of the ESCB are consolidated with the respective amounts disclosed under asset item 9.1 'Participating interest in the ECB' ^{*)}	(a) Cost/nominal value	Recommended
			(b) For counterparty or credit risks arising from monetary policy operations	(b) Nominal value	Mandatory

Balance sheet item ⁽¹⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽²⁾
11	14	Revaluation accounts	<p>Revaluation accounts related to price movements for gold, for every type of euro-denominated securities, for every type of foreign currency-denominated securities, for options; market valuation differences related to interest rate risk derivatives; revaluation accounts related to foreign exchange rate movements for every currency net position held, including foreign exchange swaps/forwards and SDRs</p> <p>The contributions from NCBs in accordance with Article 48.2 of the Statute of the ESCB to the ECB are consolidated with the respective amounts disclosed under asset item 9.1 'Participating interest in the ECB'+)</p>	Revaluation difference between average cost and market value, foreign exchange translated at market rate	Mandatory
12	15	Capital and reserves			
12	15.1	Capital	Paid-up capital — the ECB's capital is consolidated with the capital shares of the NCBs	Nominal value	Mandatory
12	15.2	Reserves	<p>Legal reserves and other reserves. Retained earnings</p> <p>The contributions from NCBs to the ECB in accordance with Article 48.2 of the Statute of the ESCB are consolidated with the respective amounts disclosed under asset item 9.1 'Participating interest in the ECB'+)</p>	Nominal value	Mandatory
10	16	Profit for the year		Nominal value	Mandatory

(*) Items to be harmonised. See recital 5.

(¹) The numbering in the first column relates to the balance sheet formats given in Annexes V, VI and VII (weekly financial statements and consolidated annual balance sheet of the Eurosystem). The numbering in the second column relates to the balance sheet format given in Annex VIII (annual balance sheet of a central bank). The items marked with a '+' are consolidated in the Eurosystem's weekly financial statements.

(²) The composition and valuation rules listed in this Annex are considered mandatory for the ECB's accounts and for all material assets and liabilities in NCBs' accounts for Eurosystem purposes, i.e. material to the Eurosystem's operation.

Consolidated weekly financial statement of the Eurosystem: format to be used for publication after quarter end

(EUR million)

Assets ⁽¹⁾	Balance as at ...	Difference compared to last week due to		Liabilities	Balance as at ...	Difference compared to last week due to	
		transactions	quarter-end adjustments			transactions	quarter-end adjustments
1 Gold and gold receivables				1 Banknotes in circulation			
2 Claims on non-euro area residents denominated in foreign currency				2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro			
2.1 Receivables from the IMF				2.1 Current accounts (covering the minimum reserve system)			
2.2 Balances with banks and security investments, external loans and other external assets				2.2 Deposit facility			
3 Claims on euro area residents denominated in foreign currency				2.3 Fixed-term deposits			
4 Claims on non-euro area residents denominated in euro				2.4 Fine-tuning reverse operations			
4.1 Balances with banks, security investments and loans				2.5 Deposits related to margin calls			
4.2 Claims arising from the credit facility under ERM II				3 Other liabilities to euro area credit institutions denominated in euro			
5 Lending to euro area credit institutions related to monetary policy operations denominated in euro				4 Debt certificates issued			
5.1 Main refinancing operations				5 Liabilities to other euro area residents denominated in euro			
5.2 Longer-term refinancing operations				5.1 General government			
5.3 Fine-tuning reverse operations				5.2 Other liabilities			
5.4 Structural reverse operations				6 Liabilities to non-euro area residents denominated in euro			
				7 Liabilities to euro area residents denominated in foreign currency			

(EUR million)

Assets ⁽¹⁾	Balance as at ...	Difference compared to last week due to		Liabilities	Balance as at ...	Difference compared to last week due to	
		transactions	quarter-end adjustments			transactions	quarter-end adjustments
5.5 Marginal lending facility				8 Liabilities to non-euro area residents de- nominated in foreign currency			
5.6 Credits related to margin calls				8.1 Deposits, balances and other liabil- ities			
6 Other claims on euro area credit institutions denominated in euro				8.2 Liabilities arising from the credit fa- cility under ERM II			
7 Securities of euro area residents denomi- nated in euro				9 Counterpart of special drawing rights allo- cated by the IMF			
7.1 Securities held for monetary policy pur- poses				10 Other liabilities			
7.2 Other securities				11 Revaluation accounts			
8 General government debt denominated in euro				12 Capital and reserves			
9 Other assets							
Total assets				Total liabilities			

Totals/sub-totals may not add up, due to rounding.

⁽¹⁾ The table of assets may also be published above the table of liabilities.

Consolidated weekly financial statement of the Eurosystem: format to be used for publication during the quarter

(EUR million)

Assets ⁽¹⁾	Balance as at ...	Difference compared to last week due to transac- tions	Liabilities	Balance as at ...	Difference compared to last week due to transactions
1 Gold and gold receivables			1 Banknotes in circulation		
2 Claims on non-euro area residents denominated in foreign currency			2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro		
2.1 Receivables from the IMF			2.1 Current accounts (covering the minimum reserve system)		
2.2 Balances with banks and security investments, external loans and other external assets			2.2 Deposit facility		
3 Claims on euro area residents denominated in foreign currency			2.3 Fixed-term deposits		
4 Claims on non-euro area residents denominated in euro			2.4 Fine-tuning reverse operations		
4.1 Balances with banks, security investments and loans			2.5 Deposits related to margin calls		
4.2 Claims arising from the credit facility under ERM II			3 Other liabilities to euro area credit institutions denominated in euro		
5 Lending to euro area credit institutions related to monetary policy operations denominated in euro			4 Debt certificates issued		
5.1 Main refinancing operations			5 Liabilities to other euro area residents denominated in euro		
5.2 Longer-term refinancing operations			5.1. General government		
5.3 Fine-tuning reverse operations			5.2. Other liabilities		
5.4 Structural reverse operations			6 Liabilities to non-euro area residents denominated in euro		
5.5 Marginal lending facility			7 Liabilities to euro area residents denominated in foreign currency		
5.6 Credits related to margin calls					

(EUR million)

Assets ⁽¹⁾	Balance as at ...	Difference compared to last week due to transac- tions	Liabilities	Balance as at ...	Difference compared to last week due to transactions
6 Other claims on euro area credit institutions denominated in euro			8 Liabilities to non-euro area residents denominated in foreign currency		
7 Securities of euro area residents denominated in euro			8.1 Deposits, balances and other liabilities		
7.1 Securities held for monetary policy purposes			8.2 Liabilities arising from the credit facility under ERM II		
7.2 Other securities			9 Counterpart of special drawing rights allocated by the IMF		
8 General government debt denominated in euro			10 Other liabilities		
9 Other assets			11 Revaluation accounts		
			12 Capital and reserves		
Total assets			Total liabilities		

Totals/sub-totals may not add up, due to rounding.

⁽¹⁾ The table of assets may also be published above the table of liabilities.

Consolidated annual balance sheet of the Eurosystem

(EUR million)

Assets ⁽¹⁾	Reporting year	Previous year	Liabilities	Reporting year	Previous year
1 Gold and gold receivables			1 Banknotes in circulation		
2 Claims on non-euro area residents denominated in foreign currency			2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro		
2.1 Receivables from the IMF			2.1 Current accounts (covering the minimum reserve system)		
2.2 Balances with banks and security investments, external loans and other external assets			2.2 Deposit facility		
3 Claims on euro area residents denominated in foreign currency			2.3 Fixed-term deposits		
4 Claims on non-euro area residents denominated in euro			2.4 Fine-tuning reverse operations		
4.1 Balances with banks, security investments and loans			2.5 Deposits related to margin calls		
4.2 Claims arising from the credit facility under ERM II			3 Other liabilities to euro area credit institutions denominated in euro		
5 Lending to euro area credit institutions related to monetary policy operations denominated in euro			4 Debt certificates issued		
5.1 Main refinancing operations			5 Liabilities to other euro area residents denominated in euro		
5.2 Longer-term refinancing operations			5.1 General government		
5.3 Fine-tuning reverse operations			5.2 Other liabilities		
5.4 Structural reverse operations			6 Liabilities to non-euro area residents denominated in euro		
5.5 Marginal lending facility			7 Liabilities to euro area residents denominated in foreign currency		
5.6 Credits related to margin calls					

(EUR million)

Assets ⁽¹⁾	Reporting year	Previous year	Liabilities	Reporting year	Previous year
6 Other claims on euro area credit institutions denominated in euro			8 Liabilities to non-euro area residents denominated in foreign currency		
7 Securities of euro area residents denominated in euro			8.1 Deposits, balances and other liabilities		
7.1 Securities held for monetary policy purposes			8.2 Liabilities arising from the credit facility under ERM II		
7.2 Other securities			9 Counterpart of special drawing rights allocated by the IMF		
8 General government debt denominated in euro			10 Other liabilities		
9 Other assets			11 Revaluation accounts		
			12 Capital and reserves		
Total assets			Total liabilities		

Totals/sub-totals may not add up, due to rounding.

⁽¹⁾ The table of assets may also be published above the table of liabilities.

ANNEX VIII

Annual balance sheet of a Central Bank ⁽¹⁾

(EUR million) ⁽²⁾

Assets ⁽³⁾	Reporting year	Previous year	Liabilities	Reporting year	Previous year
1 Gold and gold receivables			1 Banknotes in circulation (*)		
2 Claims on non-euro area residents denominated in foreign currency			2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro		
2.1 Receivables from the IMF			2.1 Current accounts (covering the minimum reserve system)		
2.2 Balances with banks and security investments, external loans and other external assets			2.2 Deposit facility		
3 Claims on euro area residents denominated in foreign currency			2.3 Fixed-term deposits		
4 Claims on non-euro area residents denominated in euro			2.4 Fine-tuning reverse operations		
4.1 Balances with banks, security investments and loans			2.5 Deposits related to margin calls		
4.2 Claims arising from the credit facility under ERM II			3 Other liabilities to euro area credit institutions denominated in euro		
5 Lending to euro area credit institutions related to monetary policy operations denominated in euro			4 Debt certificates issued		
5.1 Main refinancing operations			5 Liabilities to other euro area residents denominated in euro		
5.2 Longer-term refinancing operations			5.1 General government		
5.3 Fine-tuning reverse operations			5.2 Other liabilities		
5.4 Structural reverse operations			6 Liabilities to non-euro area residents denominated in euro		
5.5 Marginal lending facility			7 Liabilities to euro area residents denominated in foreign currency		
5.6 Credits related to margin calls			8 Liabilities to non-euro area residents denominated in foreign currency		
6 Other claims on euro area credit institutions denominated in euro			8.1 Deposits, balances and other liabilities		
7 Securities of euro area residents denominated in euro			8.2 Liabilities arising from the credit facility under ERM II		
7.1 Securities held for monetary policy purposes			9 Counterpart of special drawing rights allocated by the IMF		
7.2 Other securities					
8 General government debt denominated in euro					

Assets ⁽³⁾	Reporting year	Previous year	Liabilities	Reporting year	Previous year
9 Intra-Eurosystem claims			10 Intra-Eurosystem liabilities		
9.1 Participating interest in ECB			10.1 Liabilities equivalent to the transfer of foreign reserves		
9.2 Claims equivalent to the transfer of foreign reserves			10.2 Liabilities related to the issuance of ECB debt certificates		
9.3 Claims related to the issuance of ECB debt certificates			10.3 Net liabilities related to the allocation of euro banknotes within the Eurosystem (*)		
9.4 Net claims related to the allocation of euro banknotes within the Eurosystem (*)			10.4 Other liabilities within the Eurosystem (net) (*)		
9.5 Other claims within the Eurosystem (net) (*)			11 Items in course of settlement		
10 Items in course of settlement			12 Other liabilities		
11 Other assets			12.1 Off-balance-sheet instruments revaluation differences		
11.1 Coins of euro area			12.2 Accruals and income collected in advance (*)		
11.2 Tangible and intangible fixed assets			12.3 Sundry		
11.3 Other financial assets			13 Provisions		
11.4 Off-balance-sheet instruments revaluation differences			14 Revaluation accounts		
11.5 Accruals and prepaid expenses (*)			15 Capital and reserves		
11.6 Sundry			15.1 Capital		
12 Loss for the year			15.2 Reserves		
			16 Profit for the year		
Total assets			Total liabilities		

Totals/sub-totals may not add up, due to rounding.

(*) Items to be harmonised. See recital 5 of this Guideline.

⁽¹⁾ Disclosure relating to euro banknotes in circulation, remuneration of net intra-Eurosystem claims/liabilities resulting from the allocation of euro banknotes within the Eurosystem, and monetary income should be harmonised in NCBS' published annual financial statements. The items to be harmonised are indicated with an asterisk in Annexes IV, VIII and IX.

⁽²⁾ Central banks may alternatively publish exact euro amounts, or amounts rounded in a different manner.

⁽³⁾ The table of assets may also be published above the table of liabilities.

ANNEX IX

PUBLISHED PROFIT AND LOSS ACCOUNT OF A CENTRAL BANK ⁽¹⁾ ⁽²⁾(EUR million) ⁽³⁾

Profit and loss account for the year ending 31 December ...	Reporting Year	Previous year
1.1 <i>Interest income</i> (*)		
1.2 <i>Interest expense</i> (*)		
1 <i>Net interest income</i>		
2.1 <i>Realised gains/losses arising from financial operations</i>		
2.2 <i>Write-downs on financial assets and positions</i>		
2.3 <i>Transfer to/from provisions for foreign exchange rate, interest rate, credit and gold price risks</i>		
2 <i>Net result of financial operations, write-downs and risk provisions</i>		
3.1 <i>Fees and commissions income</i>		
3.2 <i>Fees and commissions expense</i>		
3 <i>Net income/expense from fees and commissions</i>		
4 <i>Income from equity shares and participating interests</i> (*)		
5 <i>Net result of pooling of monetary income</i> (*)		
6 <i>Other income</i>		
Total net income		
7 <i>Staff costs</i> ⁽⁴⁾		
8 <i>Administrative expenses</i> ⁽⁴⁾		
9 <i>Depreciation of tangible and intangible fixed assets</i>		
10 <i>Banknote production services</i> ⁽⁵⁾		
11 <i>Other expenses</i>		
12 <i>Income tax and other government charges on income</i>		
(Loss)/profit for the year		

(*) Items to be harmonised. See recital 5.

⁽¹⁾ The profit and loss account of the ECB takes a slightly different format. See Annex III to Decision (EU) 2016/2247 of the European Central Bank of 3 November 2016 on the annual accounts of the European Central Bank (ECB/2016/35) (see page 1 of this Official Journal).

⁽²⁾ Disclosure relating to euro banknotes in circulation, remuneration of net intra-Eurosystem claims/liabilities resulting from the allocation of euro banknotes within the Eurosystem, and monetary income should be harmonised in NCBs' published annual financial statements. The items to be harmonised are indicated with an asterisk in Annexes IV, VIII and IX.

⁽³⁾ Central banks may alternatively publish exact euro amounts, or amounts rounded in a different manner.

⁽⁴⁾ Including administrative provisions.

⁽⁵⁾ This item is used in the case of outsourced banknote production (for the cost of the services provided by external companies in charge of the production of banknotes on behalf of the central banks). It is recommended that the costs incurred in connection with the issue of both national and euro banknotes are taken to the profit and loss account as they are invoiced or otherwise incurred.

ANNEX X

Repealed Guideline with list of its successive amendments

Guideline ECB/2010/20	OJ L 35, 9.2.2011, p. 31
Guideline ECB/2011/27	OJ L 19, 24.1.2012, p. 37
Guideline ECB/2012/29	OJ L 356, 22.12.2012, p. 94
Guideline ECB/2014/54	OJ L 68, 13.3.2015, p. 69
Guideline ECB/2015/24	OJ L 193, 21.7.2015, p. 147

ANNEX XI

CORRELATION TABLE

Guideline ECB/2010/20	This Guideline
Article 3	Article 4
Article 4	Article 6
Article 6	Article 7
—	Article 8
Article 7	Article 9
Article 8	Article 10
Article 9	Article 11
Article 10	Article 12
Article 11	Article 13
Article 12	Article 14
Article 13	Article 15
Article 14	Article 16
Article 15	Article 17
Article 16	Article 18
Article 17	Article 19
Article 18	Article 20
Article 19	Article 21
Article 20	Article 22
Article 21	Article 23
Article 22	Article 24
Article 23	Article 25
Article 24	Article 26
Article 25	Article 27
Article 26	Article 28
Article 27	Article 29
Article 28	Article 30
Article 29	Article 31
Article 30	Article 32