



EUROPEAN CENTRAL BANK

OPINION OF THE EUROPEAN CENTRAL BANK

of 30 May 2005

at the request of the Central Bank of Cyprus

**on a draft directive on the reporting by monetary financial institutions of their
monthly balance sheets**

(CON/2005/13)

1. On 26 April 2005, the European Central Bank (ECB) received a request from the Central Bank of Cyprus (CBC) for an opinion on a draft directive on the reporting by monetary financial institutions of their monthly balance sheets (hereinafter the 'draft directive').
2. The ECB's competence to deliver an opinion is based on the fourth indent of Article 2(1) of Council Decision 98/415/EC of 29 June 1998 on the consultation of the European Central Bank by national authorities regarding draft legislative provisions¹, as the draft directive relates to the collection by the CBC of financial information submitted by reporting agents. In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion.
3. The draft directive reflects the provisions of Regulation ECB/2001/13 of 22 November 2001 concerning the consolidated balance sheet of the monetary financial institutions sector², and incorporates the balance sheet requirements of Regulation ECB/2001/18 of 20 December 2001 concerning statistics on interest rates applied by monetary financial institutions to deposits and loans vis-à-vis households and non-financial corporations³, Guideline ECB/2003/2 of 6 February 2003 concerning certain statistical reporting requirements of the European Central Bank and the procedures for reporting by the national central banks of statistical information in the field of money and banking statistics⁴, and Guideline ECB/2002/7 of 21 November 2002 on the statistical reporting requirements of the European Central Bank in the field of quarterly financial accounts⁵ as well as other information required by the CBC for its own supervisory purposes. The draft directive prescribes the requirements for the statistical returns and the contents of the monthly balance sheets which monetary financial institutions (MFIs) are required to submit to the CBC and it is intended

¹ OJ L 189, 3.7.1998, p. 42.

² OJ L 333, 17.12.2001, p. 1. Regulation as last amended by Regulation ECB/2004/21 (OJ L 371, 18.12.2004, p. 42).

³ OJ L 10, 12.1.2002, p. 24. Regulation as amended by Regulation ECB/2004/21.

⁴ OJ L 241, 26.9.2003 p. 1. Guideline as amended by Guideline ECB/2004/1 (OJ L 83, 20.3.2004, p. 29).

⁵ OJ L 334, 11.12.2002, p. 24.

that it shall apply to all MFIs licensed to operate in Cyprus. It also includes a breakdown of loans by economic activity, in accordance with the NACE Revision 1.1 classification established by Council Regulation (EEC) No 3037/90 of 9 October 1990 on the statistical classification of economic activities in the European Community⁶, as required for financial stability purposes. The legal basis for the adoption of the draft directive is Section 63 of the Central Bank of Cyprus Laws of 2002 and 2003, and Sections 25 and 26 of the Banking Laws of 1997 to 2004 which, *inter alia*, empower the CBC, as the competent national authority for banking supervision in the Republic of Cyprus, to define certain reporting requirements necessary for the fulfilment of its objectives and for the exercise of its powers, and to impose these on MFIs in Cyprus.

4. The draft directive is intended to run in parallel with the CBC Balance Sheet Directive currently in force, until such time as the CBC has verified the correct implementation of the new reporting requirements imposed under the draft directive.
5. Article 5.2 of the Statute of the European System of Central Banks and of the European Central Bank provides that the national central banks (NCBs) shall carry out, to the extent possible, the tasks described in Article 5.1 of the Statute, i.e. the European System of Central Banks (ESCB) tasks prescribed in the Treaty establishing the European Community and in the Statute. Article 43.1 of the Statute implies that legal instruments adopted by the ECB for the fulfilment of its statistical reporting requirements do not confer any rights or impose any obligations on the non-participating Member States.
6. Article 10 of the Treaty requires that ‘Member States shall take all appropriate measures ... to ensure fulfilment of the obligations arising out of this Treaty’. More specifically, Article 4 of Council Regulation (EC) No 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank⁷ requires that ‘Member States shall organise themselves in the field of statistics and shall fully cooperate with the ESCB in order to ensure the fulfilment of the obligations arising out of Article 5 of the Statute’.
7. Recital 17 of Regulation (EC) No 2533/98 states that, ‘while it is recognised that the statistical information needed to fulfil the ECB’s statistical reporting requirements is not the same for the participating⁸ as for the non-participating Member States, Article 5 of the Statute applies to both participating and non-participating Member States’; this fact, together with Article 10 of the Treaty, implies an obligation to design and implement at the national level all the measures that Member States consider appropriate in order to carry out the collection of the statistical information needed to fulfil the ECB’s statistical reporting requirements and the timely preparations in the field of statistics in order for them to become participating Member States

⁶ OJ L 293, 24.10.1990, p. 1. Regulation as amended by Commission Regulation (EC) No 29/2002 (OJ L 6, 10.1.2002, p. 3).

⁷ OJ L 318, 27.11.1998, p. 8.

⁸ A ‘participating Member State’ is a Member State which has adopted the euro.

8. On the basis of the above, the ECB welcomes the CBC's initiative to adopt a directive on the requirements for the statistical returns and the contents of the monthly balance sheets of MFIs, and notes that the reporting requirements of NCBs are an indispensable component of the national statistical collection systems. The ECB does not comment in detail on national reporting provisions, as these may differ considerably between Member States, depending on various national and external factors. The ECB's comments are therefore of a general nature only, and are meant to serve as a guide, enabling the CBC to shape its balance sheet reporting requirements so as to bring them into line with those of the Eurosystem, in preparation for the adoption of the euro by the Republic of Cyprus.
9. The ECB welcomes the core objective of the draft directive, which is to bring the balance sheet reporting requirements of the CBC into line with those prescribed under the relevant legal acts and instruments of the ECB. This revision of the reporting obligations of MFIs towards the CBC is welcome, since accurate and timely balance sheet statistical information is necessary for the CBC's fulfilment of its tasks, also vis-à-vis the ESCB.
10. The ECB observes that, in certain respects, the draft directive goes beyond what is strictly necessary for the fulfilment of the MFI balance sheet reporting requirements of the ECB. It is nevertheless noted that it is the task primarily of NCBs to assess whether any proposed detailed reporting instructions and collection methods at national level are the most efficient, effective and the least burdensome for the reporting agents concerned.
11. The ECB notes that, although no money market funds (MMFs) have so far been identified among MFIs in Cyprus, the draft directive contains a definition of such entities and includes them within its scope. The inclusion of the additional item 'Money market fund shares/units issued' under 'Liability categories' in Section I.6 would better accommodate the possibility that licences to operate as an MMF may be granted to resident entities in the future.
12. The ECB notes that, in Schedule No 13 of Section I.6, under the heading 'Remaining liabilities', the sub-item 'Debts evidenced by certificates' consists of financial instruments which would be classified either as 'Deposits' or 'Debt securities issued' under Regulation ECB/2001/13, depending on whether or not they are negotiable⁹. Accordingly, a reclassification of the instruments referred to in the sub-item 'Debts evidenced by certificates' from the category of 'Remaining liabilities' to the categories 'Deposits' and/or 'Debt securities issued', as appropriate, would bring the reporting requirements in the draft directive more closely into line with those of Regulation ECB/2001/13.

⁹ See Part 3 of Annex I to Regulation ECB/2001/13, table entitled 'Detailed description of instrument categories of the monthly aggregated balance sheet of the MFI sector', in particular categories 9, 11 and 13.

13. This opinion does not prejudice any later assessment by the ECB of the balance sheet reporting scheme applicable in the Republic of Cyprus or of the balance sheet information reported to the CBC against the balance sheet reporting requirements of the ECB.
14. This opinion will be published on the ECB's website.

Done at Frankfurt am Main, 30 May 2005.

[signed]

The President of the ECB

Jean-Claude TRICHET