

DECISION OF THE EUROPEAN CENTRAL BANK
of 3 November 1998
as amended by Decision of 14 December 2000
on the allocation of monetary income of the national central banks of participating Member States
and losses of the ECB for the financial years 1999 to 2001

(ECB/2000/19)

(2000/825/EC)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank (hereinafter referred to as the 'Statute') and in particular to Article 32 and the fifth paragraph of Article 34.2 thereof,

Whereas:

- (1) According to Article 32.2 of the Statute, the amount of monetary income of each participating national central bank (NCB) shall be equal to its annual income derived from its assets held against notes in circulation and deposit liabilities to credit institutions. According to Article 32.3 of the Statute, if the balance-sheet structures of participating NCBs after the start of the third stage do not permit the application of the method foreseen in Article 32.2 of the Statute for the allocation of monetary income of participating NCBs, the Governing Council may temporarily adopt an alternative method.
- (2) According to Article 32.4 of the Statute, the amount of each participating NCB's monetary income shall be reduced by an amount equivalent to any interest paid by that NCB on its deposit liabilities to credit institutions in accordance with Article 19 of the Statute. According to Article 32.5 of the Statute, the sum of the participating NCBs' monetary income shall be allocated to the participating NCBs in proportion to their paid-up shares in the capital of the ECB.
- (3) According to Articles 32.6 and 32.7 of the Statute, it is for the Governing Council of the ECB to arrange for the clearing and settlement at the ECB of the balances arising from the allocation of monetary income and to take all other measures necessary for the application of Article 32 of the Statute.
- (4) Article 10.3 of the Statute stipulates that for any decision taken under Article 32 of the Statute, the votes of the Governing Council of the ECB shall be weighted according to the NCBs' shares in the subscribed capital of the ECB.
- (5) Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro ⁽¹⁾, in particular Articles 1, 9 and 10 thereof, has provided for a continuation, during the transitional period (i.e. the period between 1 January 1999 and 31 December 2001), of the territorial

limits for the legal-tender status of banknotes denominated in a national currency unit. Such national banknotes are issued by the participating NCBs. Banknotes denominated in euro will only be put into circulation on 1 January 2002. During the transitional period the ESCB's monetary policy function is unlikely to have any material impact on banknotes in circulation.

- (6) The introduction of the euro in Greece on 1 January 2001 has entailed the need for adapting numerous ECB legal acts and also this Decision. This Decision should consequently enter into force on the abovementioned date,

HAS DECIDED AS FOLLOWS:

Article 1

Definitions

For the purposes of this Decision:

- 'equivalent claims' shall mean the claims of the participating NCBs against the ECB arising from the transfer of foreign-reserve assets from the NCBs to the ECB under Article 30 of the Statute,
- 'euro area financial sector counterparties' shall mean (i) credit institutions as defined in Article 1(1) of Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions ⁽²⁾, other than participating NCBs, the registered or head office of which is located in a participating Member State; and (ii) branches of credit institutions, as defined in Article 1(3) of Directive 2000/12/EC in a participating Member State, which have neither their registered nor their head office in a participating Member State,
- 'HBS' shall mean the harmonised balance sheet as structured in Annex IX of Guideline ECB/2000/18 of 1 December 1998 on the legal framework of accounting and reporting in the European System of Central Banks ⁽³⁾, as amended on 15 December 1999 and on 14 December 2000,
- 'liability base' shall be the amount of qualifying liabilities, within the balance sheet of each participating NCB, specified in accordance with the Annex to this Decision,

⁽¹⁾ OJ L 139, 11.5.1998, p. 1.

⁽²⁾ OJ L 126, 26.5.2000, p. 1.

⁽³⁾ Not yet published in the Official Journal.

- 'participating NCB' shall mean a national central bank of a Member State which has adopted the single currency in accordance with the Treaty establishing the European Community,
- 'reference rate' shall be the latest available interest rate used by the ESCB in its main refinancing operations under paragraph 3.1.2 of Annex I to Guideline ECB/2000/7 of 31 August 2000 on monetary policy instruments and procedures of the Eurosystem⁽¹⁾,
- 'transitional period', shall mean the period between 1 January 1999 and 31 December 2001.

Article 2

Method for measuring monetary income

1. During the transitional period, the amount of each participating NCB's monetary income shall be determined in accordance with the following formula:

$$MI = [LB \times RR]$$

where:

- MI is the amount of each participating NCB's monetary income to be pooled,
- LB is the liability base of each participating NCB, and
- RR is the reference rate.

2. The amount of each participating NCB's monetary income shall be reduced by an amount equivalent to any interest paid on liabilities included within the liability base.

Article 3

Calculation and allocation of monetary income

1. The calculation of each participating NCB's monetary income shall be effected by the ECB on a daily basis. The calculation shall be based on accounting data reported by participating NCBs to the ECB under Guideline ECB/2000/18.

2. The sum of each participating NCB's monetary income shall be allocated to the participating NCBs in proportion to their paid-up shares in the capital of the ECB. Such allocation of monetary income shall take place at the end of each financial year. The ECB shall inform the NCBs of the cumulative amounts on a quarterly basis.

3. The amount of monetary income to be allocated to each participating NCB shall be adjusted in accordance with any decision by the Governing Council of the ECB made in relation to the second paragraph of Article 32.4 of the Statute.

4. The amount of monetary income to be allocated to each participating NCB shall be offset against the amounts due by the same participating NCB as calculated in accordance with Article 2. The net balances arising from the allocation of monetary income shall be settled at the ECB.

Article 4

Transitional direct charge on income accruing to participating NCBs from national banknotes in circulation

1. There shall be a charge on income accruing to each participating NCB from assets held against national banknotes in circulation (NCB's seigniorage). Such charge shall give the ECB the right to access an NCB's seigniorage with the exclusive purpose of covering those losses of the ECB that cannot be funded during the financial years 1999, 2000 and 2001 either (i) in the manner outlined under Article 33.2 of the Statute; or (ii) against that portion of the equivalent claims which can be partially offset against foreign-exchange losses under the Guideline ECB/2000/15 of 3 November 1998 as amended by the Guideline of 16 November 2000 on the composition, valuation and modalities for the initial transfer of foreign reserve assets, and the denomination and remuneration of equivalent claims⁽²⁾.

2. The Governing Council of the ECB, in addition to approving the annual accounts of the ECB each financial year, shall decide the amount of the charge and establish the modalities for settlement of unfunded losses.

3. The amount of the charge shall have a maximum upper limit equivalent to the increase in the total monetary income of the ESCB that would have arisen if banknotes denominated in national currency units had been included in the liability base. The amount of the charge of each participating NCB shall be in proportion to its key for subscription to the capital of the ECB. This limit shall be reduced to the extent necessary to ensure that no participating NCB shall be liable for more than the total of its seigniorage income from national banknotes in circulation for the relevant financial year. For the purposes of this paragraph, national seigniorage shall be calculated by applying the reference rate to the amount of national banknotes in circulation.

Article 5

Final provisions

This Decision, as amended by Decision ECB/2000/NP17, shall enter into force on 1 January 2001.

This Decision applies to the financial years of 1999, 2000 and 2001.

Done in Frankfurt am Main on 3 November 1998, and amended and approved for publication in the *Official Journal of the European Communities* on 14 December 2000.

The President of the ECB

Willem F. DUISENBERG

⁽¹⁾ OJ L 310, 11.12.2000, p. 1.

⁽²⁾ See page 114 of this Official Journal.

ANNEX

COMPOSITION OF THE LIABILITY BASE

- A. The liability base shall include, with the exclusion of any other item:
1. Liabilities to euro area financial sector counterparties denominated in euro, including:
 - (a) current accounts (item 2.1 of the HBS);
 - (b) reserve requirements under Article 19.1 of the Statute (item 2.1 of the HBS);
 - (c) amounts in deposit under the ESCB deposit facility (item 2.2 of the HBS);
 - (d) fixed-term deposits (item 2.3 of the HBS);
 - (e) deposits related to margin calls arising from ESCB monetary policy operations (item 2.5 of the HBS);
 - (f) liabilities arising from liquidity-absorbing repurchase operations (reserve repos) under Chapter 3.1 of Annex I to Guideline ECB/2000/7 of 31 August 2000 on monetary policy instruments and procedures of the Eurosystem ⁽¹⁾.
 2. Liabilities of participating NCBs arising from the issuance to the ECB of promissory notes in connection with the issuance by the ECB of debt certificates under Chapter 3.3 of Annex I to Guideline ECB/2000/7 (item 10.2 of the HBS).
- B. The amount of each participating NCB's liability base shall be calculated in accordance with the harmonised accounting principles and rules established in Guideline ECB/2000/18 of 1 December 1998 on the legal framework of accounting and reporting in the European System of Central Banks as amended on 15 December 1999 and on 14 December 2000 ⁽²⁾.
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⁽¹⁾ OJ L 310, 11.12.2000, p. 1.

⁽²⁾ Not yet published in the Official Journal