

EUROPEAN CENTRAL BANK

DECISION OF THE EUROPEAN CENTRAL BANK

of 19 May 2006

amending Decision ECB/2001/16 on the allocation of monetary income of the national central banks of participating Member States from the financial year 2002

(ECB/2006/7)

(2006/385/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, and in particular Article 32 thereof,

Whereas:

- (1) Decision ECB/2001/16 of 6 December 2001 on the allocation of monetary income of the national central banks of participating Member States from the financial year 2002⁽¹⁾ establishes a regime for the allocation of monetary income of the national central banks of Member States that have adopted the euro. Pursuant to Article 32.5 of the Statute, the sum of the NCBs' monetary income is allocated to the NCBs in proportion to their paid-up shares in the capital of the ECB. In order to allow for a gradual adaptation of the NCBs' balance sheets and profit and loss accounts, the monetary income allocation for the financial years 2002 to 2007 has been adjusted to take into account the differences between the average value of banknotes in circulation of each NCB during the period from 1 July 1999 to 30 June 2001 and the average value of banknotes that would have been allocated to them during that period in accordance with the ECB's capital key. These adjustments include net intra-Eurosystem liabilities on euro banknotes in circulation which are in the liability base for the purposes of calculating the NCBs' monetary income under Article 32.2 of the Statute, as they are equivalent to banknotes in circulation.
- (2) The future enlargement of the Eurosystem makes it necessary to adapt the existing regime for the allocation of monetary income. For reasons of fairness, consistency and equal treatment, new Eurosystem NCBs should be treated in the same way financially as existing Eurosystem NCBs. This means that an adjustment procedure should be applied each time a Member State adopts the

euro and should follow the same principles as the adjustment procedure for the financial years 2002 to 2007. As a consequence, overlapping of adjustment periods may occur.

- (3) Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro⁽²⁾ allows new participating Member States some flexibility as regards the substitution of the euro for their currencies and the introduction of euro banknotes and coins. In order for the adjustment procedure to achieve financially appropriate solutions, the individual changeover scenarios have to be taken into account,

HAS DECIDED AS FOLLOWS:

Article 1

Decision ECB/2001/16 is amended as follows:

1. Article 1 is amended as follows:

The following definitions are inserted after the definition of 'reference rate':

- (j) "cash change-over date" means the date on which euro banknotes and coins acquire the status of legal tender in a Member State which has adopted the euro;
- (k) "reference period" means a period of 24 months starting 30 months before the cash changeover date;
- (l) "cash change-over year" means a period of 12 months starting on the cash change-over date;

⁽¹⁾ OJ L 337, 20.12.2001, p. 55. Decision as amended by Decision ECB/2003/22 (OJ L 9, 15.1.2004, p. 39).

⁽²⁾ OJ L 139, 11.5.1998, p. 1. Regulation as last amended by Regulation (EC) No 2169/2005 (OJ L 346, 29.12.2005, p. 1).

(m) "daily foreign exchange reference rate" means the daily foreign exchange reference rate that is based on the regular daily concertation procedure between central banks within and outside the ESCB, which normally takes place at 14.15 Central European Time.'

2. Article 2 is amended as follows:

Paragraph 1 is replaced by the following:

'The intra-Eurosystem balances on euro banknotes in circulation shall be calculated on a monthly basis and shall be recorded in the books of the ECB and the NCBs on the first business day of the month with a value date of the last business day of the preceding month.

Where a Member State adopts the euro, the calculation of the intra-Eurosystem balances on euro banknotes in circulation under the first sub-paragraph shall be recorded in the books of the ECB and the NCBs with a value date of the cash change-over date.'

3. Article 4 is replaced by the following:

'Article 4

Adjustments to intra-Eurosystem balances

1. For the purposes of monetary income calculation, each NCB's intra-Eurosystem balances on euro banknotes in circulation shall be adjusted by a compensatory amount determined in accordance with the following formula:

$$C = (K - A) \times S$$

where:

C is the compensatory amount,

K is the euro amount for each NCB that results from the application of the subscribed capital key to the average value of banknotes in circulation during the reference period, whereby the amount of banknotes in circulation denominated in the national currency of a Member State that adopts the euro shall be translated into euro at the daily foreign exchange reference rate during the reference period,

A is the average euro value for each NCB of banknotes in circulation during the reference period, translated into euro at the daily foreign exchange reference rate during the reference period,

S is the following coefficient for each financial year, starting with the cash change-over date:

Financial year	Coefficient
Cash change-over year	1
Cash change-over year plus one year	0,8606735
Cash change-over year plus two years	0,7013472
Cash change-over year plus three years	0,5334835
Cash change-over year plus four years	0,3598237
Cash change-over year plus five years	0,1817225

2. The sum of the compensatory amounts of the NCBs shall be zero.

3. Compensatory amounts shall be calculated each time a Member State adopts the euro or when the ECB's subscribed capital key changes.

4. The compensatory amount of a new Eurosystem NCB shall be allocated to the existing Eurosystem NCBs when that Member State joins, in proportion to the respective shares of existing Eurosystem NCBs in the subscribed capital key, with the sign (+/-) reversed, and shall be additional to any compensatory amounts already in force for existing Eurosystem NCBs.

5. The compensatory amounts and the accounting entries to balance those compensatory amounts shall be recorded on separate intra-Eurosystem accounts in the books of each NCB with a value date of the cash change-over date and the same value date of each following year of the adjustment period. The accounting entries to balance the compensatory amounts shall not be remunerated.

6. If the value of euro banknotes that the Banque centrale du Luxembourg puts into circulation in 2002 exceeds the average value of its banknotes in circulation during the period from 1 July 1999 to 30 June 2001 by 25 % or more, then for the Banque centrale du Luxembourg letter 'A' in the formula set out in paragraph 1 shall be the value of banknotes put into circulation by the Banque centrale du Luxembourg in 2002 up to a maximum limit of EUR 2,2 billion. Upon application of this derogation, all compensatory amounts calculated on the basis of Article 4(1) shall be subject to retroactive adjustments at the end of 2002, in order to ensure compliance with paragraph 2. Such retroactive adjustments shall be in proportion to the subscribed capital key.

7. By derogation from paragraph 1, on the occurrence of specific contingencies relative to changes in patterns of banknote circulation, as set out in Annex III to this Decision, each NCB's intra-Eurosystem balances on euro banknotes in circulation shall be adjusted in accordance with the provisions set out in that Annex.

8. The adjustments to intra-Eurosystem balances provided for in this Article shall cease to apply from the first day of the sixth year following the relevant cash change-over year.'

4. Annex I is amended in accordance with Annex I to this Decision.
5. Annex III is replaced by Annex II to this Decision.

Article 2

Final provision

This Decision shall enter into force one day following its adoption.

Done at Frankfurt am Main, 19 May 2006.

The President of the ECB
Jean-Claude TRICHET

ANNEX I

Paragraph 1 of Part A of Annex I is replaced by the following:

‘1. banknotes in circulation

For the purposes of this Annex, in the cash change-over year 2002 for each existing Eurosystem NCB, or in the cash change-over year for each new Eurosystem NCB, “banknotes in circulation”:

- (i) also includes banknotes issued by the NCB and denominated in its national currency unit; and
- (ii) must be reduced by the value of the non-remunerated loans related to frontloaded euro banknotes that have not been yet debited (part of asset item 6 of the HBS).

After the cash change-over year, for the purposes of this Annex and for each NCB, “banknotes in circulation” means banknotes denominated in euro, to the exclusion of any other banknotes;’

ANNEX II

Annex III is replaced by the following:

'ANNEX III

A. First contingent adjustment

If the average total value of banknotes in circulation in the cash change-over year is lower than the average total euro value of banknotes in circulation during the reference period (including those denominated in the national currency of the Member State that has adopted the euro and translated into euro at the daily foreign exchange reference rate during the reference period), then the coefficient "S" applying to the cash change-over year in accordance with Article 4(1) must be reduced with retroactive effect in the same proportion as the decrease in the total average of banknotes in circulation.

The reduction must not result in a coefficient lower than 0,8606735. If this derogation is applied, one quarter of the resulting reduction in the NCBs' compensatory amounts ("C") applicable in the cash change-over year must be added to each of the NCBs' compensatory amounts applicable in the second to fifth year following the cash change-over year under Article 4(1).

B. Second contingent adjustment

If those NCBs for which the compensatory amount referred to in Article 4(1) is a positive figure pay net remuneration on intra-Eurosystem balances on banknotes in circulation that results in a net expense when added to the item "net result of pooling of monetary income" in their profit and loss account at the end of the year, then the coefficient "S" applying to the cash change-over year in accordance with Article 4(1) must be reduced to the extent necessary to eliminate this condition.

The reduction must not result in a coefficient lower than 0,8606735. If this derogation is applied, one quarter of the resulting reduction in the NCBs' compensatory amounts ("C") applicable in the cash change-over year must be added to each of the NCBs' compensatory amounts applicable in the second to fifth year following the cash change-over year under Article 4(1).'
