

# *The ERMS framework*



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# Overview

- Key concepts
- Cash services
- Investment services
- Custody & Settlement Services
- Benefits for customers



# Key concepts (I)

## ➤ Reserve Management Services (RMS)

A range of banking services offered by any CB, whose currency is used as foreign reserve, to other CBs or official organisations for the management of such customers' reserve assets denominated in this currency.

## ➤ Eurosystem service providers

- Eurosystem Service Providers (ESPs)

NCBs providing a complete harmonised set of RMS

- Individual Service Providers (ISPs)

NCBs not providing the complete harmonised set of RMS

# Key concepts (II)

## *Single access point and a wide range of services*

- Dedicated service providers offering a complete range of services to support the management of customers' euro denominated reserve assets

<http://www.ecb.int/paym/erms/html/index.en.html>

## *Harmonised terms and conditions*

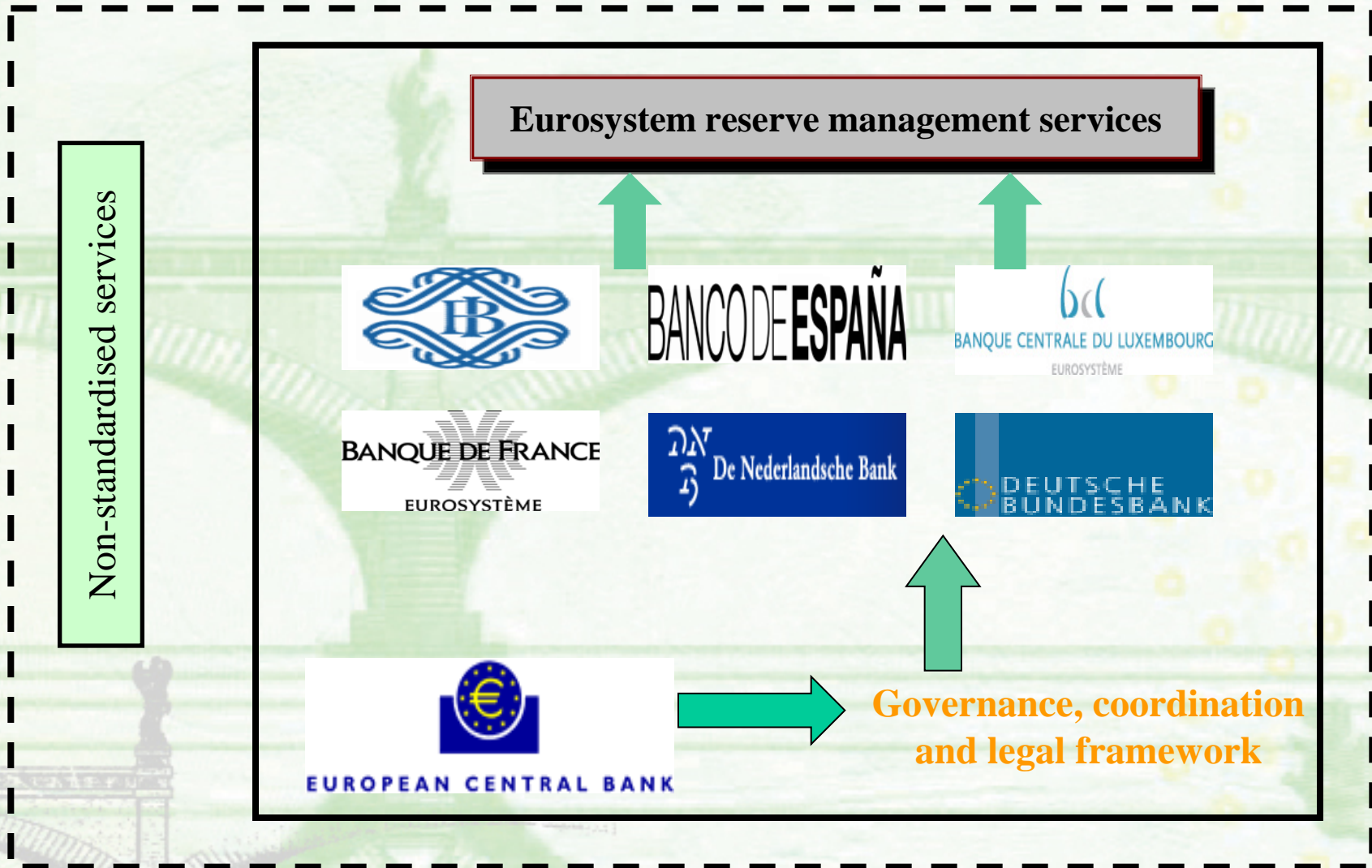
- All services available under identical terms and conditions from dedicated service providers

# Customers

**Any country (including any public authority or government agency), any central bank or monetary authority located outside the euro area, or any international organisation to which ERMS are provided by a Eurosystem member**

**Customer must confirm that it complies with all EU and national laws for prevention of money laundering and terrorist financing and that it is not involved with any form of money laundering or terrorist financing**

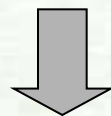
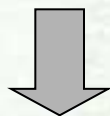
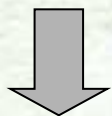
# Organisation



# The Eurosystem RMS



## The Eurosystem reserve management services



### Cash services

Automatic overnight investment of cash balances

Purchase/sale of FX on a principal basis

### Investment services

Fixed-term deposits on an agency basis

Purchases/sales of securities in the secondary market

Execution of standing instructions

### Custodian (safe-keeping) services

Wide range of fixed-income securities

End-of-month custody statements

Notification and processing of corporate actions

Facilitation of ASLPs

### Settlement services

Free of payment/delivery versus payment settlement

Confirmation of settlement via SWIFT

# *Cash services*



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# Automatic overnight cash investment facility (i)



- Two-tiered facility
- **Tier 1:** Limited amount remunerated on principal basis (EONIA less 10 basis points or the deposit facility rate)
- **Tier 2:** Unlimited amount invested in market with highly rated counterparties – ‘best effort’ principle applies (market rate less 5 basis points)
- Applicable to all cash accounts
- High tier 1 limits for customers with significant securities holdings

# Automatic overnight cash investment facility (ii)



## Choices available for customers:

- ➔ cash account remuneration (tier 1 only)
- ➔ investment of all cash balances in the market (tier 2 only)
- ➔ combination of tier 1 and tier 2

# Foreign exchange transactions



- Covers the spot purchase/sale of euro against non-euro area G10 currencies
- Executed on a principal basis, ensuring total confidentiality as regards customers' operations in the market

# *Investment services*

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# Fixed-term deposit services



- Offered on an agency basis – placement in the market on a ‘best effort’ basis with highly rated counterparties
- Remuneration at the rate agreed with the market partner, depending on the amount and maturity involved – administration fee of 5 bps
- Offered on a principal basis immediately reversed in the market on a collateralised basis
- Service provider accepting the deposit will determine the remuneration rate on the deposit

# Execution of securities orders

- Purchase/sale of securities in the secondary market
- Service available for the entire range of securities for which custody accounts are provided under the new framework - settlement on T+2
- Pricing dependent on market conditions – information to customers on the agreed price via trade confirmation

## Execution of investments according to standing instructions



- Tailor made standing instructions set up by the customer
- No fee in addition to that/those charged for use of the underlying service(s)
- Possible for all services offered under the new framework

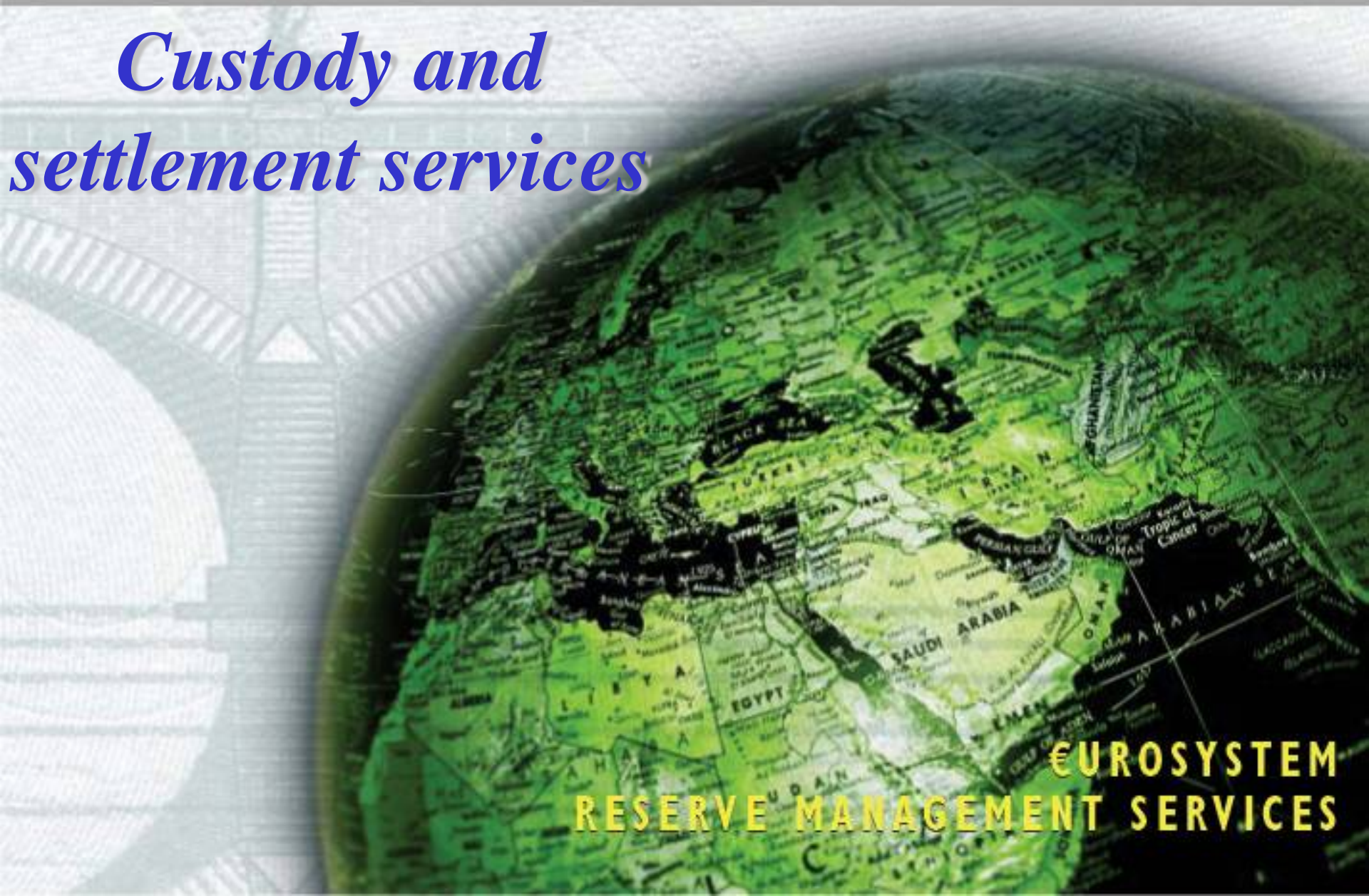


### Examples:

- reinvestment of proceeds from matured fixed term deposits
- reinvestment of interest proceeds / security redemptions

# *Custody and settlement services*

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# Custody account

- Provision of a single custody account for a wide range of fixed-income euro-denominated securities
  - ➔ Examples:
    - government securities
    - covered bonds
    - agency securities
    - supranational securities
- Custody and settlement available via (international) central securities depositories – (I)CSDs or via bilateral arrangements between Eurosystem members

## Related custody services (i)

- End-of-month custody statements (transmission via SWIFT or other means, as appropriate)
- Notification and processing of corporate actions (e.g. coupon payments and redemptions)
- Customised custody services also available (e.g. transmission of custody statements at other dates)
- Facilitation of **Automatic Securities Lending Programmes (ASLPs)**

## Related custody services (ii)

Available via (one or a combination of) the following:

- customers' third-party agents
- central securities depositories (CSDs)
- international central securities depositories (ICSDs)

➔ Possibility of opening additional sub-accounts

# Settlement

- Delivery versus payment (DVP) as well as free of payment (FOP) settlement
- Confirmation of settlement via SWIFT or other means, as appropriate

# Arrangement of services

- *Custody and settlement arrangement available via (one or a combination of) the following:*
  - (a) account with local central securities depository (CSD)
  - (b) remote access to an (I)CSD
  - (c) bilateral arrangements between service provider and NCB of the country where the securities are issued

# Fees

- *Fees for custodian and related settlement services*

- Custody fee: **0.2 basis points**

- Transaction fee: **€10**

- Additional fee for recovering external costs (where applicable)

→ Internal tariffs

- *Fees for the facilitation of ASLPs*

Variable fee structure depending on arrangement put in place

# Benefits for customers



- Reliable, highly rated service providers
- Safety and confidentiality
- Flexibility via operations conducted for a focused group of customers
- Expertise: entry to Europe's financial markets
- Local (domestic) as well as cross-border custody and settlement services
- Integrated package of euro denominated reserve management services

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