



EUROPEAN CENTRAL BANK

EUROSYSTEM

Emily Witt

Head of Division

Financial Operations Services

ECB Central Banking Seminar 2019

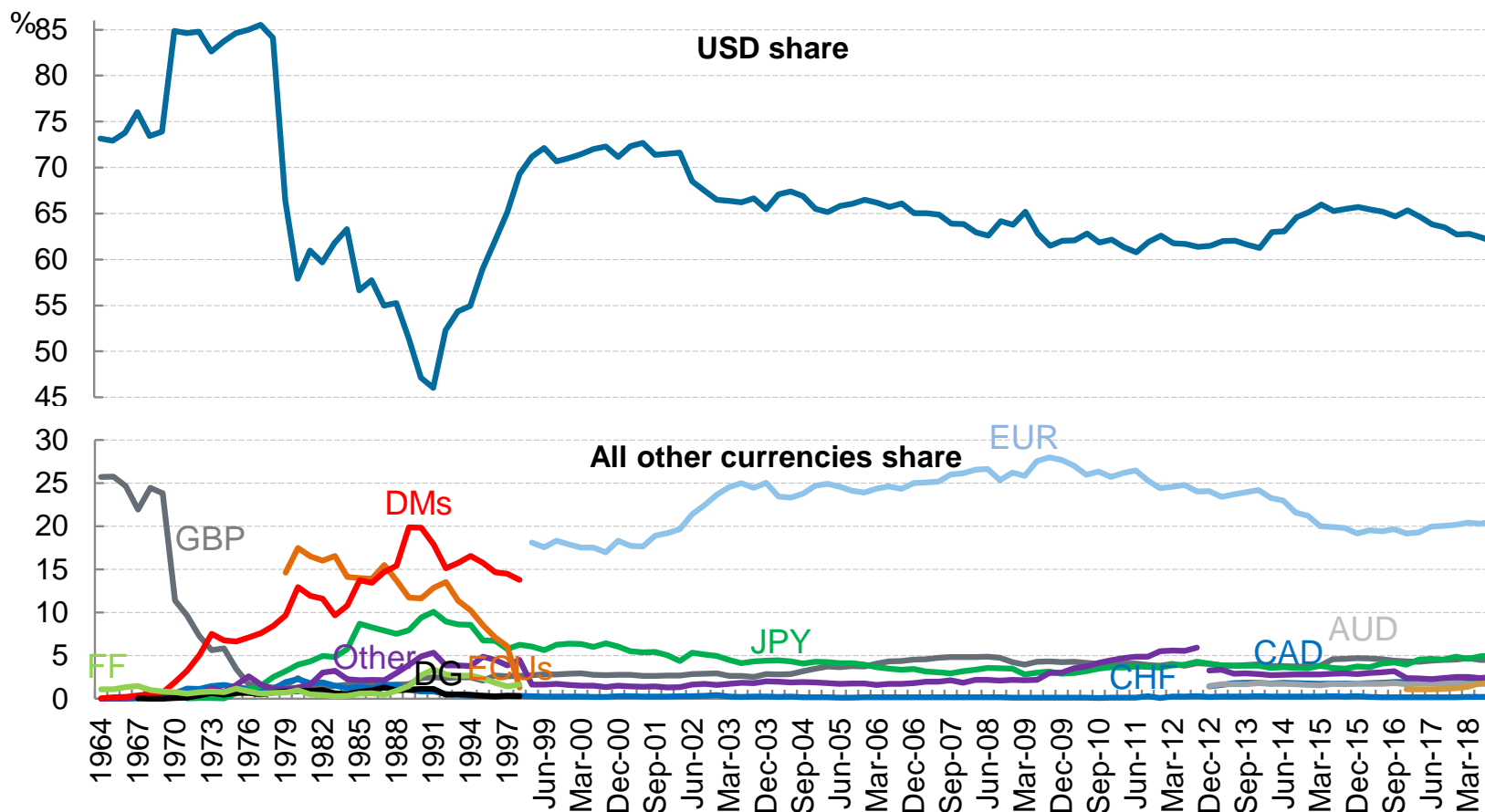
The Eurosystem Reserves Management Services (ERMS)

5 July 2019

Overview of the presentation

- 1** Managing official foreign euro reserves
- 2** Key concepts and organisation
- 3** The services:
 - cash and FX
 - securities and custody
 - settlement
 - account services
- 4** Customers, costs and benefits

Global reserve currencies

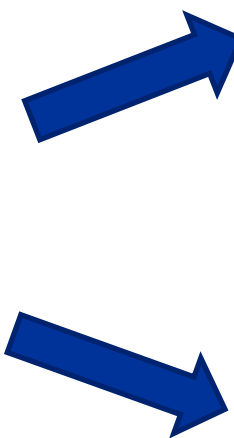


Source: IMF, Federal Reserve Board

Note: Unadjusted shares; annual data 1964-1999 and quarterly data 1999-2017; ECUs = European Currency Units (pre-euro basket currency), DMs = German Deutsche Marks, DG = Dutch Guilder, FF= French Franc.

Reserves management

Foreign official reserves in €



Commercial banks



Some
Eurosystem Central Banks



The ERMS services

- Cash and FX services
- Securities and custody
- Settlement
- Account services

Single access point and a wide range of services

- to support the management of customer reserve assets

Harmonised terms and conditions

- to ensure common approach across the Eurosystem

Monetary policy neutrality

- Some cash services are reversed in the market
- Interest rates aligned with monetary policy and market rates



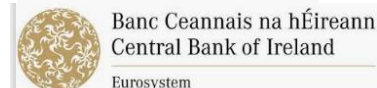
Governance, coordination and maintaining ERMS legal framework

Eurosystem service providers (ESP)
Full range of services



**Execution of
ERMS services**

Individual service providers (ISP)
Only some services



Central banks may provide other services outside of the ERMS

National Central Bank offer the following services

Cash & FX



Cash overnight investment

Fixed-term deposits

Purchase/sale of FX

Securities & custody



Purchase/sale of securities

Processing of corporate actions

Settlement



DvP/FoP

Payments

SWIFT

Confirmation

Account services



Open/manage accounts

Statements

Standing instructions

Cash & FX



Cash Tier 1:

- Limited amount (**limit** per NCB and per customer)

Cash Tier 2:

- Unlimited amount
- Invested in the market at market rates minus a small fee

Unallocated / excess cash:

- Unlimited amount

Cash & FX



Fixed term deposits

- From 1 day to 12 months
- On a principal or agency basis
- Collateralised by the bank where the funds are invested
- Min size EUR 1.000.000
- Remunerated at market rates minus a small spread

Foreign exchange transactions

Spot purchase or sale of euro against non-euro area G10 currencies (e.g. \$, Yen)

- executed on a principal basis
- ensuring confidentiality



Purchase / sale of securities

- Securities in list of Eligible Marketable Assets (few exceptions e.g. ABS/MBS)
- In secondary market, settlement T+2
- Pricing dependent on market conditions

Single custody account

- For a wide range of fixed-income euro-denominated securities government, covered bonds, agencies, supranationals, corporates

Custody and settlement via

- national and international central securities depositories
- bilateral arrangements between Eurosystem National Central Banks

Notification and **processing** of corporate actions

Facilitation of Automatic Securities Lending Programmes (ASLPs)

Settlement Services

Settlement



- Delivery versus Payment settlement (DVP)
- Free of Payment settlement (FOP)
- Payments between different accounts
- Instruction and confirmation of settlement via SWIFT (exceptionally other means)

Account services



- **Managing** cash and securities **accounts**
- **Providing statements** (via SWIFT or other means)
- **Custody accounts** available via (combination of):
 - central securities depositories (CSDs)
 - international central securities depositories (ICSDs)
 - bilateral agreement between home and correspondent NCBs
- **Tailor-made standing instructions** set up by the customer
- **No fees** in addition to those charged for underlying services
- **Examples:**
 - reinvestment of proceeds from matured fixed term deposits
 - reinvestment of interest proceeds / security redemptions

Fees for services

- Cash services: no fees
- Internal costs:
 - Custody fee: 0.2 basis points
 - Transaction fee for moving securities: €10
- External costs:
 - additional fees for recovering external costs, where applicable
- Fees for the facilitation of Automated Securities Lending
 - variable fee structure depending on facilitation put in place



Customers outside Euro Area are eligible



- Any country (public authority or government agency)
- Any central bank or monetary authority
- Any international organisation

Customer **must confirm**



- ✓ it complies with all EU and national laws for prevention of money laundering and countering the financing of terrorism
- ✓ it is not involved in any form of money laundering or terrorist financing

Benefits for customers



- ✓ Safety - reliable, highly rated service providers
- ✓ Confidentiality – information does not leave the Eurosystem
- ✓ Flexibility via operations conducted for a focused group
- ✓ Expertise of and entry to Europe's financial markets
- ✓ Domestic as well as cross-border custody and settlement services
- ✓ Integrated package of euro reserve management services



More information can be found under:
<http://www.ecb.int/paym/erms/html/index.en.html>



Questions and discussion