



The Eurosystem policy principles on the location and operation of infrastructures settling euro-denominated payment transactions:

- (1) Given its mandate to promote the smooth operation of euro market infrastructures, the Eurosystem has a strong oversight interest in the prudent design and management of any domestic, cross-border or multi-currency market infrastructure processing euro-denominated payment transactions.
- (2) The ECB and the national central banks of the Eurosystem (the central banks of issue) need to retain, in any event, ultimate control over their currency, the euro. Therefore, from both a general policy and systemic risk perspective, the Eurosystem cannot, as a matter of principle, accept that payment infrastructures for euro transactions which are located outside the euro area (the home currency area) have the potential to develop into major euro payment infrastructures, particularly if this were to put at stake the Eurosystem's control over the euro.
- (3) Payment infrastructures settling euro-denominated PvP and/or non-PvP payment transactions (gross, hybrid, net, net with high underlying gross amounts) that have the potential to reach systemic relevance for the euro area should, as a matter of principle, settle these payment transactions in central bank money and be incorporated in the euro area with full operational responsibility for euro transactions. The Eurosystem might accept an exception from this principle only in very specific circumstances and on a case-by-case basis. The Eurosystem might grant an exception on the following grounds:¹
 - a. If the Eurosystem considers the rationale for making euro settlements outside the euro area as relevant to fulfilling its statutory responsibilities and the Eurosystem is directly involved in the oversight of the design and operation of such infrastructures.²
 - b. If payment infrastructures located outside the euro area which request the inclusion of the euro as an eligible currency for settlement in their infrastructure are able to demonstrate that the operation of the infrastructure does not, under any circumstances, have the potential to undermine the Eurosystem's control over its currency, neither now nor in the future.³

¹ Central bank money in euro can only be provided by the central banks that belong to the euro area.

² It is assumed that, in principle, the oversight takes place under the principles for cooperative oversight and that, as a minimum, the Core Principles apply.

³ Typically, this will imply that such payment infrastructures will not develop into offshore euro settlement systems of any substantial size and that the operation of the infrastructure will not result in euro positions held in the system, and hence offshore, overnight.

- c. If a payment infrastructure processing non-PvP transactions located outside the euro area does not settle, on a daily average (of the last twelve months), more than:
 - €5 billion, or
 - 0.2% of the total daily average value of payment transactions processed by euro area interbank funds transfer systems which finally settle in central bank money;whichever of the two amounts is higher.
- d. If the threshold mentioned under (c) above were exceeded, the system would have to be operationally and legally located in the euro area.

(4) Payment infrastructures processing both euro-denominated PvP and non-PvP transactions for settlement should employ mechanisms, safeguards and infrastructures capable of avoiding that the potential materialisation of risks in one process has an adverse impact on the other process (spillover).