



EUROPEAN CENTRAL BANK

EUROSYSTEM

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ECB-PUBLIC

**GUIDELINE (EU) [YYYY/[XX\*]] OF THE EUROPEAN CENTRAL BANK**

**of 9 April 2019**

**on domestic asset and liability management operations by the national central banks**

**(recast)**

**(ECB/2019/7)**

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union, and in particular the first indent of Article 127(2) thereof,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank, and in particular Articles 12.1 and 14.3 thereof,

Whereas:

- (1) Guideline ECB/2014/9 of the European Central Bank<sup>1</sup> has been substantially amended twice. Since further amendments are to be made, that Guideline should be recast in the interest of clarity.
- (2) The successful implementation of the single monetary policy requires that the European Central Bank (ECB) specifies the general principles to be followed by the NCBs when carrying out operations in assets and liabilities on their own initiative; such operations should not interfere with the single monetary policy.
- (3) Limitations on the remuneration of government deposits held with NCBs as fiscal agents pursuant to Article 21.2 of the Statute of the European System of Central Banks and of the European Central Bank must be specified to preserve the integrity of the single monetary policy, and to provide incentives for government deposits to be placed in the market, so as to facilitate the Eurosystem's liquidity management and monetary policy implementation. In addition, the introduction of a ceiling on such remuneration based on money market rates facilitates the monitoring of the NCBs' compliance with the prohibition on monetary financing carried out by the ECB in accordance with Article 271(d) of the Treaty.
- (4) Considering the specific institutional circumstances, the Governing Council deems that the remuneration of government deposits related to an adjustment programme does not interfere with

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<sup>1</sup> Guideline ECB/2014/9 of the European Central Bank of 20 February 2014 on domestic asset and liability management operations by the national central banks (OJ L 159, 28.5.2014, p. 56).

the single monetary policy to a comparable extent as the remuneration of other government deposits.

- (5) While the remuneration of deposits other than government deposits held with NCBs may not be subject to the prohibition of monetary financing, it must also be specified to preserve the integrity of the single monetary policy. Given the different institutional requirements the specific remuneration ceilings may differ, in particular with respect to deposits of internal sources, which may be seen as either similar to retail accounts or serving an administrative purpose.
- (6) Transactions conducted by the NCBs on behalf of third parties which are not recorded in the NCBs' balance sheets and do not affect central bank liquidity conditions are not subject to this Guideline. However, with respect to related organisational issues these transactions should be subject to arrangements comparable to those specified in this Guideline.

HAS ADOPTED THIS GUIDELINE:

#### *Article 1*

##### **Scope of application**

This Guideline shall apply to transactions involving NCBs that are denominated in euro and to non-monetary policy deposits, provided that these are, in each case, recorded in the balance sheet and that they are none of the following:

- (a) transactions that are executed by NCBs to implement the single monetary policy as decided by the Governing Council;
- (b) transactions regulated by guidelines established on the basis of Article 31.3 of the Statute of the European System of Central Banks and of the European Central Bank;
- (c) transactions executed and deposits taken in the context of the Eurosystem's reserve management services as set out in Guideline (EU) 2018/797 of the European Central Bank (ECB/2018/14)<sup>2</sup>;
- (d) operations related to the provision of emergency liquidity assistance as defined in the Agreement on emergency liquidity assistance.

#### *Article 2*

##### **Definitions**

For the purposes of this Guideline:

- (1) 'NCB' means a national central bank of a Member State whose currency is the euro;
- (2) 'deposit facility rate' means the interest rate applied to the Eurosystem deposit facility;

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<sup>2</sup> Guideline (EU) 2018/797 of the European Central Bank of 3 May 2018 on the Eurosystem's provision of reserve management services in euro to central banks and countries located outside the euro area and to international organisations (ECB/2018/14) (OJ L 136, 1.6.2018, p. 81).

- (3) 'deposit' means a credit balance in euro or in another currency resulting from funds held in an account with an NCB or from temporary situations deriving from other services provided by an NCB, giving rise to a liability recorded on that NCB's balance sheet, and which that NCB is required to repay under the applicable contractual or regulatory conditions, including overnight and fixed term deposits;
- (4) 'government' means all public entities of a Member State or any public entities of the Union mentioned in Article 123 of the Treaty, as interpreted in the light of Council Regulation (EC) No 3603/93<sup>3</sup>, except for publicly owned credit institutions which, in the context of the supply of reserves by NCBs, are given the same treatment by NCBs and the ECB as private credit institutions;
- (5) 'government deposits' means non-monetary policy deposits accepted by NCBs from any government;
- (6) 'government deposits related to an adjustment programme' means deposits of:
- (a) funds disbursed by the European Stability Mechanism (ESM), Union bodies or the International Monetary Fund (IMF) to the government of a Member State whose currency is the euro benefiting from a European and/or IMF financial support programme whose contractual or other legal arrangements require those funds to be held by the government of the Member State with the NCB of the Member State;
  - (b) funds which correspond to the accumulated Eurosystem profits resulting from Greek government bonds held under the Securities Markets Programme (SMP) which have been transferred by euro area governments to a dedicated ESM account; or
  - (c) funds which are held by the government of a Member State that benefits or has benefited from a European and/or IMF financial support programme with the NCB of the Member State and which are earmarked for disbursement to the lenders under such programme or required by the contractual or other legal arrangements related to the programme or the post-programme surveillance to be held with such NCB. For this purpose 'earmarked' includes the precautionary cash buffers that treasuries are required to hold under the contractual or other legal arrangements related to the post-programme surveillance or as the result of a waiver issued by one or more financial assistance programme creditors whenever an early repayment is made to any other financial assistance programme creditor.
- (7) 'gross domestic product' (GDP) means the value of an economy's total output of goods and services, less intermediate consumption, plus net taxes on products and imports in a specified period;
- (8) 'non-monetary policy deposits' means any deposits accepted by NCBs from governments and other external sources that are recorded in balance sheet items other than liability item L2 ('Liabilities to euro area credit institutions related to monetary policy operations denominated in

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<sup>3</sup> Council Regulation (EC) No 3603/93 of 13 December 1993 specifying definitions for the application of the prohibitions referred to in Articles 104 and 104b(1) of the Treaty (OJ L 332, 31.12.1993, p. 1).

euro') as defined in the context of the Eurosystem harmonised balance sheet. Non-monetary policy deposits from other external sources do not include IMF No 1 and No 2 accounts, as decided by the Governing Council, or deposits from internal sources, i.e. deposits from current or former staff, branches or subsidiaries of the relevant NCB, overseas monetary authorities linked to the relevant NCB and located in countries and territories specified in Article 198 of the Treaty;

- (9) 'secured market rate' means (a) with regard to fixed-term deposits denominated in euro, the STOXX EUR GC Pooling term index with a comparable maturity, or its equivalent if it is discontinued or no longer considered as a benchmark; and (b) with regard to fixed-term deposits denominated in currencies other than the euro, a comparable rate;
- (10) 'unsecured overnight market rate' means (a) with regard to overnight deposits denominated in euro, the euro overnight index average rate (EONIA), or, following the discontinuation of EONIA, the euro short-term rate (€STR); and (b) with regard to overnight deposits denominated in currencies other than the euro, a comparable rate;
- (11) 'outright transaction' means a purchase, sale or redemption of a security that is recorded in a balance sheet item other than asset item A7.1 ('Securities held for monetary policy purposes') as defined in the context of the Eurosystem harmonised balance sheet;
- (12) 'securities' mean the following types of securities: (a) debt securities; (b) listed shares; and (c) investment fund shares or units;
- (13) 'securities financing transaction' means a transaction that meets the definition in Article 3(11) of Regulation (EU) 2015/2365 of the European Parliament and of the Council<sup>4</sup> and which involves securities that are recorded in a balance sheet item other than asset item A7.1 ('Securities held for monetary policy purposes') as defined in the context of the Eurosystem harmonised balance sheet, and consists of either:
  - (a) 'lending transaction' meaning a securities financing transaction which is conducted by an NCB with the effect of providing securities; or
  - (b) 'borrowing transaction' meaning a securities financing transaction which is conducted by an NCB with the effect of receiving securities;
- (14) 'bilateral liquidity arrangement' means an agreement which an NCB enters into with a non-euro area central bank or a monetary authority with the purpose of conducting transactions to exchange euro cash with euro non-cash collateral.

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<sup>4</sup> Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 (OJ L 337, 23.12.2015, p. 1).

*Article 3***Organisational issues**

1. The NCBs shall make the appropriate arrangements to enable counterparties to distinguish between transactions carried out under this Guideline and transactions carried out by NCBs when implementing the single monetary policy.
2. The NCBs shall make the appropriate arrangements to ensure that confidential monetary policy information is not used when carrying out transactions under this Guideline.
3. The NCBs shall make similar arrangements to those established in accordance with paragraphs 1 and 2 also with respect to transactions conducted by NCBs on behalf of third parties which are not recorded in the NCBs' balance sheets and do not affect central bank liquidity conditions.
4. The NCBs shall inform the ECB of the arrangements established in accordance with this Article on an annual basis.

*Article 4***Limitations on the remuneration of non-monetary policy deposits**

1. The remuneration of government deposits shall be subject to the following ceilings:
  - (a) For overnight deposits, the unsecured overnight market rate; for fixed term deposits, the secured market rate with a comparable maturity or if that is not available the unsecured overnight market rate.
  - (b) On any calendar day, the total amount of all government deposits, other than government deposits related to an adjustment programme, held with an NCB exceeding the higher of either: (i) the equivalent of EUR 200 million; or (ii) 0.04% of the GDP of the Member State in which the NCB is domiciled shall be remunerated up to the following level:
    1. in the case of deposits denominated in euro:
      - i. if the deposit facility rate on the relevant calendar day is zero or higher, with an interest rate of zero percent;
      - ii. if the deposit facility rate on the relevant calendar day is negative, with an interest rate no higher than the deposit facility rate.
    2. in the case of deposits denominated in other currencies: an approach comparable for the concerned currency to the approach set out for deposits denominated in euro, as set out in points 1. i. and ii. above, shall be applied.

For the purpose of determining the threshold referred to in this point, the GDP shall be based on the annual autumn economic forecast published by the European Commission in the year before. Each NCB shall decide on the allocation of the different government deposits below and above the threshold.
  - (c) On any calendar day, if the rate applicable under point (b) is higher than the relevant market rate specified in point (a), all government deposits shall be remunerated at such market rate.

- (d) Government deposits related to an adjustment programme shall be subject to the remuneration rates referred in point (a) or remunerated at zero per cent, whichever is higher, but shall not count towards the threshold mentioned in point (b).
2. The remuneration of non-monetary policy deposits other than government deposits shall take into account the principles of proportionality, market neutrality and equal treatment. The remuneration of non-monetary policy deposits other than government deposits, when they are denominated in euro, shall not exceed the deposit facility rate.
  3. A negative interest rate shall entail a payment obligation of the deposit holder to the relevant NCB including the right of that NCB to debit the relevant deposit account accordingly.

#### *Article 5*

##### **Ex ante obligations**

1. The NCBs shall report ex ante to the ECB the total net liquidity effect of transactions covered by this Guideline within the context of the Eurosystem's general liquidity management framework. Furthermore, the NCBs shall ensure through appropriate measures that these transactions do not result in liquidity effects that cannot be accurately forecasted.
2. The NCBs shall seek the ECB's prior approval if transactions covered by this Guideline which are conducted on an NCB's own initiative result in a net liquidity effect on the settlement date that is larger than EUR 500 million.
3. The NCBs shall seek the Governing Council's prior approval before entering into bilateral liquidity arrangements.

#### *Article 6*

##### **Ex post reporting**

The NCBs shall report information ex post to the ECB once a calendar quarter on:

- (a) outright transactions;
- (b) securities financing transactions;
- (c) average outstanding amounts related to non-monetary policy deposits which were carried out or observed during the previous calendar quarter.

#### *Article 7*

##### **Monitoring**

1. Once a year the ECB shall prepare an assessment of the implementation of this Guideline in the previous year and submit it to the Governing Council.
2. In addition to the threshold for daily aggregate net liquidity effects referred to in Article 5(2), the ECB may under exceptional circumstances specify and apply additional thresholds during any particular period of time to the NCBs' transactions covered by this Guideline.

3. If reporting reveals that transactions covered by this Guideline are not compatible with single monetary policy requirements, the ECB may give specific instructions with regard to the asset and liability management behaviour of the relevant NCBs.

*Article 8*

**Confidentiality**

Any information and data exchanged in the context of this Guideline shall be treated confidentially.

*Article 9*

**Repeal**

1. Guideline ECB/2014/9, as amended by the Guidelines listed in Annex I, is hereby repealed with effect from 1 October 2019.
2. References to the repealed Guideline shall be construed as references to this Guideline and shall be read in accordance with the correlation table in Annex II.

*Article 10*

**Taking effect and implementation**

1. This Guideline shall take effect on the day of its notification to the NCBs.
2. The NCBs shall take the necessary measures to comply with this Guideline and apply them from 1 October 2019. They shall notify the ECB of the texts and means relating to the measures specified in Articles 4(1), 4(2) and 5(2) by 1 July 2019 at the latest.

*Article 11*

**Addressees**

This Guideline is addressed to the NCBs.

Done at Frankfurt am Main, 9 April 2019.

*For the Governing Council of the ECB*

[signed]

*The President of the ECB*

Mario DRAGHI

**Repealed Guideline**  
**with list of the successive amendments thereto**  
**(referred to in Article 9)**

Guideline ECB/2014/9 of the European Central Bank (OJ L 159, 28.5.2014, p. 56)
Guideline ECB/2014/22 of the European Central Bank (OJ L 168, 7.6.2014, p. 118)
Guideline ECB/2015/28 of the European Central Bank (OJ L 245, 22.9.2015, p. 13)



## Correlation table

Guideline ECB/2014/9	This Guideline
Article 1(1)	Article 1
Article 1(2)	
Article 1(3)	
Article 1(4)	
Article 2	Article 2
Article 3	Article 3
Article 4	
Article 5(1)(a) and (b)	Article 4(1)(a)
Article 5(2)	Article 4(1)(b) and (3)
Article 5(3)	Article 4(1)(d)
Article 6(1)	Article 5(1)
Article 6(2)	Article 6
Article 6(3)	Article 7(3)
Article 7(1)	Article 5(2)
Article 7(2)	Article 7(2)
Article 7(3)	
Article 8	
Article 9(1)	Article 7(1)
Article 9(2)	
Article 10	Article 8
Article 11	
Article 12	Article 10
Article 13	Article 11