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DECISION (EU) 2016/2248 OF THE EUROPEAN CENTRAL BANK

of 3 November 2016

on the allocation of monetary income of the national central banks of Member States whose currency is the euro (ECB/2016/36)

(recast)

(OJ L 347, 20.12.2016, p. 26)

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Article 1

Definitions

For the purposes of this Decision:

(a) 'NCB' means a national central bank of a Member State whose currency is the euro;

(b) 'credit institution' means either: (a) a credit institution within the meaning of Article 4(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council [1] that is subject to supervision by a competent authority; or (b) another credit institution within the meaning of Article 123(2) of the Treaty that is subject to scrutiny of a standard comparable to supervision by a competent authority;

(c) 'liability base' means the amount of qualifying liabilities, within the balance sheet of each NCB, specified in accordance with Annex I to this Decision;

(d) 'cash changeover date' means the date on which euro banknotes and coins become legal tender in a Member State whose currency is the euro;

(e) 'cash changeover year' means a period of 12 months starting on the cash changeover date;

(f) 'intra-Eurosystem balances on euro banknotes in circulation' means the claims and liabilities arising between an NCB and the ECB and between an NCB and the other NCBs as a result of the application of Article 4 of Decision ECB/2010/29;

(g) 'subscribed capital key' means the NCBs' shares, expressed as percentages, in the ECB's subscribed capital that result from applying to the NCBs the weightings in the key referred to in Article 29.1 of the Statute of the ESCB and as applicable for the relevant financial year;

(h) 'withdrawn euro banknotes' means any euro banknote type or series that has been withdrawn from circulation by a decision of the Governing Council taken pursuant to Article 5 of Decision ECB/2003/4;

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[1] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investments firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

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(i) 'issue phase', in relation to a euro banknote type or series, means the period starting on the date on which the first issue of a euro banknote of this type or series is recorded in the liability base and ending on the date on which the last issue of a euro banknote of this type or series is recorded in the liability base;

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(j) 'reference rate' means the latest available interest rate applied to the deposit facility offered by the Eurosystem in accordance with Articles 21 to 23 of Guideline (EU) 2015/510 of the European Central Bank (ECB/2014/60) ([1]);

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(k) 'earmarkable assets' means the amount of assets held against the liability base, within the balance sheet of each NCB, specified in accordance with Annex II to this Decision;

(l) 'reference period' means a period of 24 months starting 30 months before the cash changeover date;

(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 European System of Central Banks, which normally takes place at 14.15 Central European Time ([2]);

(n) 'write off' means to eliminate withdrawn euro banknotes from the balance sheet item 'banknotes in circulation';

(o) 'issue key' means the average subscribed capital key during the issue phase of a type or series of withdrawn euro banknotes;

(p) 'harmonised balance sheet' (HBS) means the harmonised balance sheet as set out in Annex VIII to Guideline (EU) 2016/2249 of the European Central Bank (ECB/2016/34) ([3]).

Article 2

Intra-Eurosystem balances on euro banknotes in circulation

1. 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.

([1]) Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (General Documentation Guideline) (ECB/2014/60) (OJ L 91, 2.4.2015, p. 3).

([2]) Central European Time takes account of the change to Central European Summer Time.

([3]) Guideline (EU) 2016/2249 of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2016/34) (see page 37 of this Official Journal).

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

The intra-Eurosystem balances on euro banknotes in circulation shall, for the period from 1 to 31 January of the first year with effect from which each quinquennial adjustment pursuant to Article 29.3 of the Statute of the ESCB applies, be calculated on the basis of the adjusted subscribed capital key applied to balances on the total euro banknotes in circulation on 31 December of the previous year.

2. The intra-Eurosystem balances on euro banknotes in circulation, including those resulting from the application of Article 4 of this Decision, shall be remunerated at the reference rate.

3. The remuneration referred to in paragraph 2 shall be settled by TARGET2 payments on a quarterly basis.

Article 3

Method for measuring monetary income

1. The amount of each NCB's monetary income shall be determined by measuring the actual income that derives from the earmarkable assets recorded in its books. As exceptions thereto:

(a) gold shall not be considered to generate income;

(b) the following shall be considered to generate monetary income at the reference rate:

(i) securities held for monetary policy purposes under Decision ECB/2009/16;

(ii) securities held for monetary policy purposes under Decision ECB/2011/17;

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(iii) debt instruments issued by central, regional and local governments and recognised agencies and substitute debt instruments issued by public non-financial corporations held for monetary policy purposes under either Decision (EU) 2020/188 of the European Central Bank (ECB/2020/9) [1] or Decision (EU) 2020/440 of the European Central Bank (ECB/2020/17) [2].

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2. Where the value of an NCB's earmarkable assets exceeds or falls short of the value of its liability base, the difference shall be offset by applying the reference rate to the value of the difference.

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(1) Decision (EU) 2020/188 of the European Central Bank of 3 February 2020 on a secondary markets public sector asset purchase programme (ECB/2020/9) (OJ L 39, 12.2.2020, p. 12).

(2) Decision (EU) 2020/440 of the European Central Bank of 24 March 2020 on a temporary pandemic emergency purchase programme (ECB/2020/17) (OJ L 91, 25.3.2020, p. 1).

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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 changeover date:

Financial year	Coefficient
Cash changeover year	1
Cash changeover year plus 1 year	0,8606735
Cash changeover year plus 2 years	0,7013472
Cash changeover year plus 3 years	0,5334835
Cash changeover year plus 4 years	0,3598237
Cash changeover year plus 5 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. When an NCB joins the Eurosystem, its compensatory amount shall be allocated to the other NCBs in proportion to the respective shares of the other NCBs in the subscribed capital key, with the sign (+/–) reversed, and shall be in addition to any compensatory amounts already in force for the other NCBs.

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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 changeover 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. By derogation from paragraph 1, on the occurrence of specific events relating 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.

7. 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 changeover year.

Article 5

Calculation and allocation of monetary income

1. The calculation of each NCB's monetary income shall be effected by the ECB on a daily basis. The calculation shall be based on accounting data reported by NCBs to the ECB. The ECB shall inform the NCBs of the cumulative amounts on a quarterly basis.

2. The amount of each NCB's monetary income shall be adjusted by an amount equivalent to any interest accrued, paid or received on liabilities included within the liability base, and in accordance with any decision of the Governing Council under the second subparagraph of Article 32.4 of the Statute of the ESCB.

3. The allocation of the sum of each NCB's monetary income in proportion to the subscribed capital key shall take place at the end of each financial year.

Article 6

Calculation and allocation of income resulting from the write-off of euro banknotes

1. Withdrawn euro banknotes shall remain part of the liability base until they are exchanged or written off, whichever event occurs first.

2. The Governing Council may decide to write off withdrawn euro banknotes, in which case it shall specify the write-off date and the total amount of the provision to be made for those withdrawn euro banknotes that are still expected to be exchanged.

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3. Withdrawn euro banknotes shall be written off as follows:

(a) On the write-off date, the ECB's and the NCBs' balance sheet items ‘Banknotes in circulation’ shall be reduced by the total amount of withdrawn euro banknotes still in circulation. For this purpose, the actual amounts of withdrawn euro banknotes that were put into circulation shall be adjusted to their pro-rata amounts calculated in accordance with the issue key, and the differences shall be settled among the ECB and the NCBs.

(b) The adjusted amount of withdrawn euro banknotes shall be written off from the balance sheet item ‘Banknotes in circulation’ to the NCBs' profit and loss accounts.

(c) Each NCB shall establish a provision for withdrawn euro banknotes that are still expected to be exchanged. The provision shall be equivalent to the relevant NCB's share in the total amount of the provision calculated using the issue key.

4. Withdrawn euro banknotes that are exchanged after the write-off date shall be recorded in the books of the NCB that has accepted them. The inflow of withdrawn euro banknotes shall be redistributed among NCBs at least once a year by applying the issue key, and the differences shall be settled between them. Each NCB shall set off the pro-rata amount against its provision or, in the event that the inflow exceeds the provision, record a corresponding expense in its profit and loss account.

5. The Governing Council shall review the total amount of the provision on an annual basis.

Article 7

Repeal

1. Decision ECB/2010/23 is hereby repealed.

2. References to the repealed Decision shall be construed as references to this Decision.

Article 8

Entry into force

This Decision shall enter into force on 31 December 2016.

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ANNEX I

COMPOSITION OF THE LIABILITY BASE

A. The liability base includes, to the exclusion of any other items:

1. Banknotes in circulation

   For the purposes of this Annex, in the cash changeover year for each national central bank (NCB) joining the Eurosystem, 'Banknotes in circulation':

   (a) includes banknotes issued by the NCB and denominated in its national currency unit; and

   (b) 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 harmonised balance sheet (HBS)).

   After the relevant cash changeover year, for each NCB 'banknotes in circulation' means banknotes denominated in euro, to the exclusion of any other banknotes.

   If the cash changeover date is a day on which TARGET2 is closed, the liability of an NCB which results from euro banknotes that have been frontloaded under Guideline ECB/2006/9 and have entered into circulation before the cash changeover date forms part of the liability base (as part of the correspondent accounts under liability item 10.4 of the HBS) until the liability becomes part of the intra-Eurosystem liabilities resulting from TARGET2 transactions.

2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro, including any of the following:

   (a) current accounts including minimum reserve requirements under Article 19.1 of the Statute of the ESCB (liability item 2.1 of the HBS);

   (b) amounts in deposit under the Eurosystem deposit facility (liability item 2.2 of the HBS);

   (c) fixed-term deposits (liability item 2.3 of the HBS);

   (d) liabilities arising from fine-tuning reverse operations (liability item 2.4 of the HBS);

   (e) deposits related to margin calls (liability item 2.5 of the HBS).

3. Deposit liabilities to defaulted Eurosystem counterparties which have been reclassified from liability item 2.1 of the HBS.

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4. Net intra-Eurosystem liabilities resulting from TARGET transactions remunerated at the reference rate (liability item 10.2 of the HBS).

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5. Net intra-Eurosystem liabilities on euro banknotes in circulation, including those resulting from the application of Article 4 of this Decision (part of liability item 10.3 of the HBS).

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7. Accrued interest recorded at the end of each quarter by each NCB on monetary policy liabilities, with a maturity of 1 year or longer (part of liability item 12.2 of the HBS).

8. Liabilities vis-à-vis the ECB backing a claim that relates to swap agreements between the ECB and a non-Eurosystem central bank which earn net income for the Eurosystem (part of off-balance-sheet liabilities).

B. The amount of each NCB's liability base is calculated in accordance with the harmonised accounting principles and rules laid down in Guideline (EU) 2016/2249 (ECB/2016/34).

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ANNEX II

EARMARKABLE ASSETS

A. Earmarkable assets include, with the exclusion of any other items:

1. Lending to euro area credit institutions related to monetary policy operations denominated in euro (asset item 5 of the harmonised balance sheet (HBS)).

2. Securities held for monetary policy purposes (part of asset item 7.1 of the HBS).

3. Intra-Eurosystem claims equivalent to the transfer of foreign reserve assets other than gold to the ECB under Article 30 of the Statute of the ESCB (part of asset item 9.2 of the HBS).

▼M2

4. Net intra-Eurosystem claims resulting from TARGET transactions remunerated at the reference rate (asset item 9.3 of the HBS).

5. Net intra-Eurosystem claims on euro banknotes in circulation including those resulting from the application of Article 4 of this Decision (part of asset item 9.4 of the HBS).

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6. Gold, including claims in respect of gold transferred to the ECB, in an amount permitting each NCB to earmark a proportion of its gold that corresponds to the application of its share in the subscribed capital key to the total amount of gold earmarked by all NCBs (asset item 1 and part of asset item 9.2 of the HBS).

   For the purposes of this Decision, gold is valued on the basis of the gold price in euro per fine ounce at 31 December 2002.

7. Claims resulting from euro banknotes that have been frontloaded under Guideline ECB/2006/9 and have then entered into circulation before the cash changeover date (part of asset item 4.1 of the HBS until the cash changeover date and thereafter part of the correspondent accounts under asset item 9.5 of the HBS), but only until such claims become part of the intra-Eurosystem claims resulting from TARGET2 transactions.

▼M2

8. Outstanding claims and securities arising from the default of eligible counterparties or issuers in the context of Eurosystem monetary policy operations, and/or financial assets or claims vis-à-vis third parties appropriated and/or acquired in the context of the realisation of collateral submitted by defaulted Eurosystem counterparties in the context of Eurosystem credit operations reclassified from asset item 5 of the HBS (part of asset item 11.6 of the HBS).

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9. Accrued interest recorded at quarter-end by each NCB on monetary policy assets the maturity of which is one year or longer (part of asset item 11.5 of the HBS).

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9a. Balances related to accrued coupon interest on impaired securities held for monetary policy purposes (with the exception of accrued coupon interest on any impaired securities referred to in point (b) of Article 3(1) of this Decision) (part of asset item 11.5 of the HBS).

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10. Claims on euro area counterparties that relate to swap agreements between the ECB and a non-Eurosystem central bank which earn net income for the Eurosystem (part of asset item 3.1 of the HBS).

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11. Claims on non-Eurosystem central banks that relate to liquidity-providing operations (part of asset item 4.1 of the HBS or part of off-balance-sheet assets).

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B. The value of each NCB's earmarkable assets is calculated in accordance with the harmonised accounting principles and rules laid down in Guideline (EU) 2016/2249 (ECB/2016/34).

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ANNEX III

A. **First contingent adjustment**

If the average total value of banknotes in circulation in a cash changeover 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 changeover year in accordance with Article 4(1) is reduced with retroactive effect in the same proportion as the decrease in the total average of banknotes in circulation.

The reduction may 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 changeover year must be added to each NCB's compensatory amount applicable in the second to fifth year following the cash changeover year pursuant to 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 changeover year in accordance with Article 4(1) is reduced to the extent necessary to eliminate this condition.

The reduction may 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 changeover year is added to each NCB's compensatory amount applicable in the second to fifth year following the cash changeover year pursuant to Article 4(1).

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ANNEX IV

REPEALED DECISION WITH LIST OF THE SUCCESSIVE AMENDMENTS

Decision ECB/2010/23	OJ L 35, 9.2.2011, p. 17.
Decision ECB/2011/18	OJ L 319, 2.12.2011, p. 116.
Decision ECB/2014/24	OJ L 117, 7.6.2014, p. 168.
Decision ECB/2014/56	OJ L 53, 25.2.2015, p. 21.
Decision ECB/2015/37	OJ L 313, 28.11.2015, p. 42.