

GUIDELINES

EUROPEAN CENTRAL BANK

GUIDELINE OF THE EUROPEAN CENTRAL BANK

of 20 September 2007

amending Annexes I and II to Guideline ECB/2000/7 on monetary policy instruments and procedures of the Eurosystem

(ECB/2007/10)

(2007/700/EC)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty establishing the European Community, and in particular the first indent of Article 105(2) thereof,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank, and in particular the first indent of Article 3.1, Articles 12.1, 14.3 and Article 18.2 and the first paragraph of Article 20,

Having regard to Guideline ECB/2000/7 of 31 August 2000 on monetary policy instruments and procedures of the Eurosystem⁽¹⁾,

Whereas:

- (1) Annex I to Guideline ECB/2000/7 needs to be amended due to recent changes to the definition and implementation of the Eurosystem's single monetary policy. These changes relate *inter alia* to eligible assets and to the removal of outright transactions from the list of fine-tuning operations.
- (2) Pursuant to Council Decision 2007/503/EC of 10 July 2007 in accordance with Article 122(2) of the Treaty on the adoption by Cyprus of the single currency on 1 January 2008⁽²⁾, Cyprus fulfils the necessary conditions for adoption of the euro and its derogation under Article

4 of the Act of Accession will be abrogated with effect from 1 January 2008. Pursuant to Council Decision 2007/504/EC of 10 July 2007 in accordance with Article 122(2) of the Treaty on the adoption by Malta of the single currency on 1 January 2008⁽³⁾, Malta fulfils the necessary conditions for adoption of the euro and its derogation under Article 4 of the Act of Accession will be abrogated with effect from 1 January 2008. In view of the above, it is necessary to amend the table of Eurosystem websites in Annex I to Guideline ECB/2000/7.

- (3) Guideline ECB/2007/2 of 26 April 2007 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2)⁽⁴⁾, establishes the TARGET2 system as a replacement for the current TARGET system as laid down in Article 14(2) of Guideline ECB/2007/2. National central banks (NCBs) will migrate to TARGET2 in accordance with the schedule specified in Article 13 of Guideline ECB/2007/2. In view of the above, it is necessary to amend references to TARGET in Annexes I and II to Guideline ECB/2000/7,

HAS ADOPTED THIS GUIDELINE:

Article 1

Amendments to Annexes I and II

1. Annex I to Guideline ECB/2000/7 is amended in accordance with Annex I to this Guideline.
2. Annex II to Guideline ECB/2000/7 is amended in accordance with Annex II to this Guideline.

⁽¹⁾ OJ L 310, 11.12.2000, p. 1. Guideline as last amended by Guideline ECB/2006/12 (OJ L 352, 13.12.2006, p. 1).

⁽²⁾ OJ L 186, 18.7.2007, p. 29.

⁽³⁾ OJ L 186, 18.7.2007, p. 32.

⁽⁴⁾ OJ L 237, 8.9.2007, p. 1.

*Article 2***Amendments to the table of Eurosystem websites**

The table of Eurosystem websites contained in Annex 5 to Annex I to Guideline ECB/2000/7 is replaced with the table contained in the Annex III to this Guideline.

*Article 3***Verification**

The NCBs shall forward details of the texts and means by which they intend to comply with this Guideline to the ECB by 30 September 2007 at the latest.

*Article 4***Entry into force**

This Guideline shall enter into force two days after its adoption. Article 1 shall apply from 19 November 2007. Article 2 shall apply from 1 January 2008.

*Article 5***Addressees**

This Guideline is addressed to the NCBs of participating Member States.

Done at Frankfurt am Main, 20 September 2007.

For the Governing Council of the ECB

The President of the ECB

Jean-Claude TRICHET

ANNEX I

Annex I to Guideline ECB/2000/7 is amended as follows:

A. Amendments related to the changed definition and implementation of the Eurosystem's monetary policy

- (1) In Chapter 1, Section 1.1, the following sentence is inserted after the fifth sentence:

'The national central banks (NCBs) may, if necessary for the implementation of monetary policy, share amongst the Eurosystem members individual information, such as operational data, related to counterparties participating in Eurosystem operations (*).

(*) Such information is subject to the requirement for professional secrecy in accordance with Article 38 of the Statute of the ESCB.'

- (2) In Chapter 1, Section 1.3.1, the third indent on 'fine tuning operations' is amended as follows:

- (a) The following sentence is inserted after the first sentence:

'Fine-tuning operations may be conducted on the last day of a reserve maintenance period to counter liquidity imbalances which may have accumulated since the allotment of the last main refinancing operation.'

- (b) The resulting third sentence is replaced by the following:

'Fine-tuning operations are primarily executed as reverse transactions, but may also take the form of either foreign exchange swaps or the collection of fixed-term deposits.'

- (3) In Chapter 1, Table 1, under the heading 'Fine-tuning operations', the second sub-row, containing the following words: 'Outright purchases', 'Outright sales', 'Non-regular' and 'Bilateral procedures', is deleted.

- (4) In Chapter 1, Section 1.4, is amended as follows:

- (a) The second sentence is replaced by the following:

'Institutions subject to minimum reserve requirements according to Article 19.1 of the Statute of the ESCB may access the standing facilities and participate in open market operations based on standard tenders as well as outright transactions.'

- (b) The fourth sentence is deleted.

- (5) In Chapter 1, Section 1.5, the fourth sentence is replaced by the following:

'On 1 January 2007, this single framework replaced the two-tier system that had been in place since the start of stage three of economic and monetary union.'

- (6) In Chapter 3 the introductory paragraph is amended as follows:

- (a) The following sentence is inserted after the fourth sentence:

'Structural operations may also be conducted by means of outright transactions i.e. purchases and sales.'

- (b) The resulting sixth sentence is replaced by the following:

'In addition, the Eurosystem has two other instruments available for the conduct of fine-tuning operations: foreign exchange swaps and the collection of fixed-term deposits.'

- (7) In Chapter 3, Section 3.1.4, the following sentence is inserted after the second sentence:

'Fine-tuning operations may be conducted on the last day of a reserve maintenance period to counter liquidity imbalances which may have accumulated since the allotment of the last main refinancing operation.'

- (8) In Chapter 3, Section 3.2 is amended as follows:

- (a) The second sentence under the heading 'Type of instrument' is replaced by the following:

'Such operations are executed only for structural purposes.'

- (b) Under the heading 'Other operational features', the fourth indent is replaced by the following:

'— they are normally executed in a decentralised manner by the NCBs;'

- (9) In Chapter 4, Section 4.1 is amended as follows:

- (a) Under the heading 'Access conditions', the first sentence of the second paragraph is amended as follows:

'At the end of each business day, counterparties' debit positions on their settlement account with the national central banks are automatically considered to be a request for recourse to the marginal lending facility.'

- (b) Under the heading 'Maturity and interest terms', the second sentence of the second paragraph is updated as follows:

'The ECB may change the interest rate at any time, effective, at the earliest, from the following Eurosystem business day (*), (**).'

(*) Throughout this document, the term "Eurosystem business day" refers to any day on which the ECB and at least one national central bank are open for the purpose of conducting Eurosystem monetary policy operations.

(**) The Governing Council usually decides on interest rate changes when assessing its monetary policy stance at its first meeting of the month. Usually such decisions become effective only from the beginning of the new reserve maintenance period.'

- (10) In Chapter 5, Section 5.2, under the heading 'Operations executed through stock exchanges and market agents', the third sentence is deleted.

- (11) In Chapter 5, Section 5.3.2, the second sentence of the second paragraph is replaced by the following:

'However, the Eurosystem may occasionally apply for operational reasons other settlement dates for these operations, in particular for outright transactions and foreign exchange swaps (see Table 3).'

- (12) In Chapter 6, Section 6.1, the third sentence of the second paragraph is replaced by the following:

'This single framework, also referred to as the "Single List", entered into effect on 1 January 2007 and replaced the two-tier system which had been in place from the start of stage three of economic and monetary union.'

- (13) In Chapter 6, Section 6.1 is amended as follows:

- (a) Footnote 2 is replaced by the following:

'French *fonds communs de créances* (FCCs) that were incorporated in the tier one list and issued prior to 1 May 2006 will remain eligible for a transitional period until 31 December 2008. FCCs issued from 1 May 2006 are not eligible.'

- (b) The first sentence of the fourth paragraph is replaced by the following:

'The eligibility criteria for the two asset classes are uniform across the euro area and are set out in Section 6.2 (*).

(*) During the interim period until 31 December 2011 for a specific asset class of the non-marketable assets, credit claims, a limited number of eligibility and operational criteria may diverge across the euro area (see Section 6.2.2).'

- (14) In Chapter 6, Section 6.2.1, under the heading 'Place of issue', footnote 6 is replaced by the following:

'Since 1 January 2007, to be eligible international debt securities in global bearer form issued through ICSDs must be issued in the form of New Global Notes (NGNs) and deposited with a Common Safekeeper (CSK) which is an ICSD or, if applicable, a CSD that fulfils the minimum standards established by the ECB. International debt securities in global bearer form that were issued in the form of Classical Global Notes (CGNs) prior to 1 January 2007 and fungible securities issued under the same ISIN code on or after that date remain eligible until maturity.'

- (15) In Chapter 6, Section 6.2.1, under the heading 'Acceptable markets', the following footnote 12 is inserted at the end of the paragraph:

'Marketable assets, which were accepted as tier two assets, and which have been issued prior to 31 May 2007 and are traded on non-regulated markets that currently fulfil the Eurosystem's requirements for safety and accessibility, but not for transparency, remain eligible until 31 December 2009, provided they fulfil the other eligibility criteria, and become ineligible after that date. This does not apply to uncovered marketable assets issued by credit institutions that were accepted as tier two assets and became ineligible on 31 May 2007.'

- (16) In Chapter 6, Section 6.2.1, under the heading 'Place of establishment of the issuer/guarantor', the resulting footnote 14 is inserted at the end of the first sentence:

'Marketable assets issued before 1 January 2007 by an entity not established in the EEA or in one of the non-EEA G10 countries, but guaranteed by an entity established in the EEA, remain eligible until 31 December 2011, provided they fulfil the other eligibility criteria and the requirements applicable to guarantees as set out in Section 6.3.2, and become ineligible after that date.'

- (17) In Chapter 6, Section 6.3.2, in the first indent on 'ECAI credit assessment', the former footnote 26 now renumbered as footnote 28 at the end of the first sentence is replaced by the following:

'The high credit standards for covered bank bonds issued from 1 January 2008 are assessed on the basis of the above-listed set of criteria. Covered bank bonds issued prior to 1 January 2008 are deemed to fulfil high credit standards if they comply strictly with the criteria set out in Article 22(4) of the UCITS Directive.'

- (18) In Chapter 6, Section 6.6.1, in the second indent, the current footnote 50 is deleted.

- (19) The Annexes to Annex I are renamed 'Appendices'.

- (20) In the resulting Appendix 2 to the Annex I, in the definition of 'open market operation' the fourth sentence is replaced by the following:

'In addition, the issuance of debt certificates and outright transactions are available for structural operations, while foreign exchange swaps and the collection of fixed-term deposits are available for the conduct of fine-tuning operations.'

B. Amendments related to the establishment of TARGET2

- (21) In the list of 'Abbreviations', the line referring to 'TARGET' is replaced by the following:

TARGET the Trans-European Automated Real-time Gross settlement Express Transfer system, as defined in Guideline ECB/2005/16

TARGET2 the Trans-European Automated Real-time Gross settlement Express Transfer system, as defined in Guideline ECB/2007/2'.

(22) In Chapter 4, Section 4.1, the text under the heading 'Access conditions' is amended as follows:

(a) The third sentence of the first paragraph is replaced by the following:

'Access to the marginal lending facility is granted only on days when (i) TARGET2 (*); and (ii) the relevant securities settlement systems (SSSs) are operational (**).

(*) References to 'TARGET2' must be construed as references to 'TARGET', until the NCB has migrated to TARGET2. From 19 November 2007, the decentralised technical infrastructure of TARGET will be replaced by a single shared platform of TARGET2 through which all payment orders are submitted and processed and through which payments are received in the same technical manner. Migration to TARGET2 is arranged in three country groups, allowing TARGET users to migrate to TARGET2 in different waves and on different pre-defined dates. The composition of the country groups is the following: Group 1 (19 November 2007): Austria, Germany, Luxemburg and Slovenia; Group 2 (18 February 2008): Belgium, Finland, France, Ireland, Netherlands, Portugal and Spain; and Group 3 (19 May 2008): Greece, Italy, and the ECB. A fourth migration date (15 September 2008) is held in reserve as a contingency measure. Certain non-participating NCBs will also be connected to TARGET2 on the basis of a separate agreement: Cyprus, Latvia, Lithuania and Malta (in Group 1), as well as Denmark, Estonia and Poland (in Group 3).

(**) In addition, access to the marginal lending facility is only granted when the requirements of the payment system infrastructure in the RTGS have been fulfilled.'

(b) The third paragraph is replaced by the following:

'A counterparty may also be granted access to the marginal lending facility by sending a request to the national central bank in the Member State in which the counterparty is established. For the national central bank to process the request on the same day in TARGET2, the request must be received by the national central bank at the latest 15 minutes following the TARGET2 closing time (*) (**). As a general rule, the TARGET2 closing time is 6 p.m. ECB time (CET). The deadline for requesting access to the marginal lending facility is postponed by an additional 15 minutes on the last Eurosystem business day of a reserve maintenance period (***). The request must specify the amount of credit and, if underlying assets for the transaction have not already been pre-deposited with the national central bank, also the underlying assets to be delivered for the transaction.

(*) In some Member States, the NCB or some of its branches may not be open for the purpose of conducting monetary policy operations on certain Eurosystem business days due to national or regional bank holidays. In such cases, the NCB is responsible for informing the counterparties in advance of the arrangements to be made for access to the marginal lending facility on the bank holiday.

(**) TARGET and/or TARGET2 closing days are announced on the ECB's website (www.ecb.int), and on the Eurosystem websites (see Appendix 5).

(***) Until an NCB has migrated to TARGET2, the deadline for requesting access to the marginal lending facility with that NCB will be 30 minutes following the system's closing time (6 p.m. CET), to be postponed by an additional 30 minutes on the last Eurosystem business day of a reserve maintenance period.'

(23) In Chapter 4, Section 4.1, under the heading 'Maturity and interest terms', the second sentence of the first paragraph is replaced by the following:

'For counterparties participating directly in TARGET2, the credit is repaid on the next day on which (i) TARGET2; and (ii) the relevant SSSs are operational, at the time at which those systems open.'

(24) In Chapter 4, Section 4.2, the text under the heading 'Access conditions' is amended as follows:

(a) The third sentence of the first paragraph is replaced by the following:

'Access to the deposit facility is granted only on days when TARGET2 is open.'

- (b) The second paragraph is replaced by the following:

'To be granted access to the deposit facility, the counterparty must send a request to the national central bank in the Member State in which the counterparty is established. For the national central bank to process the request on the same day in TARGET2, the request must be received by the national central bank at the latest 15 minutes following the TARGET2 closing time, which is, as a general rule, 6 p.m. ECB time (CET) (*) (**). The deadline for requesting access to the deposit facility is postponed by an additional 15 minutes on the last Eurosystem business day of a reserve maintenance period (***). The request must specify the amount to be deposited under the facility.'

(*) See footnote 2 in this chapter.

(**) See footnote 3 in this chapter.

(***) Until an NCB has migrated to TARGET2, the deadline for requesting access to the deposit facility with that NCB will be 30 minutes following the system's closing time (6 p.m. CET), to be postponed by an additional 30 minutes on the last Eurosystem business day of a reserve maintenance period.'

- (25) In Chapter 4, Section 4.2, under the heading 'Maturity and interest terms', the second sentence of the first paragraph is replaced by the following:

'For counterparties participating directly in TARGET2, deposits held under the facility mature on the next day on which TARGET2 is operational, at the time at which this system opens.'

- (26) In Chapter 5, Section 5.3.1, the first sentence of the first paragraph is replaced by the following:

'Money transactions relating to the use of Eurosystem standing facilities or to participation in open market operations are settled on the counterparties' accounts with the national central banks or on the accounts of settlement banks participating in TARGET2.'

- (27) In Chapter 5, Section 5.3.2, the first sentence of the first paragraph is replaced by the following:

'Open market operations based on standard tenders, i.e. main refinancing operations, longer-term refinancing operations and structural operations, are normally settled on the first day following the trade day on which (i) TARGET2; and (ii) all relevant SSSs are open.'

- (28) In Chapter 5, Section 5.3.3, is replaced by the following:

'5.3.3. End-of-day procedures

The end-of-day procedures are specified in documentation related to TARGET2. As a general rule, the TARGET2 closing time is 6 p.m. ECB time (CET). No further payment orders are accepted for processing in TARGET2 after the closing time, although remaining payment orders accepted before the closing time are still processed. Counterparties' requests for access to the marginal lending facility or to the deposit facility must be submitted to the respective national central bank at the latest 15 minutes following the TARGET2 closing time. The deadline for requesting access to the Eurosystem's standing facilities is postponed by an additional 15 minutes on the last Eurosystem business day of a minimum reserve maintenance period (*).

Any negative balances on the settlement accounts in TARGET2 of eligible counterparties remaining after the finalisation of the end-of-day control procedures are automatically considered to be a request for recourse to the marginal lending facility (see Section 4.1).

(*) Until an NCB has migrated to TARGET2, the deadline for requesting access to the Eurosystem's standing facilities with that NCB will be 30 minutes following the system's closing time (6 p.m. CET), to be postponed by an additional 30 minutes on the last Eurosystem business day of a minimum reserve maintenance period.'

- (29) In Chapter 6, Section 6.6.1, the last sentence of the section is replaced by the following:

'In exceptional circumstances or when required for monetary policy purposes, the ECB may decide to extend the CCBM's closing time until the TARGET2 closing time.'

(30) All the footnotes not referred to above are renumbered accordingly.

(31) The resulting Appendix 2 ('Glossary') to Annex I to Guideline ECB/2000/7 is amended as follows:

(i) The term 'End-of-day' is replaced by the following:

'End-of-day: the time of the business day following closure of TARGET2 at which the payments processed in the TARGET2 are finalised for the day. Where applicable, the term relates to the TARGET system accordingly, until the NCB has migrated to TARGET2.'

(ii) The term 'Interlinking mechanism' is deleted.

(iii) The term 'RTGS (real-time gross settlement)' is replaced by the following:

'RTGS (real-time gross settlement) system: a settlement system in which processing and settlement take place on an order-by-order basis without netting continuously in real time. See also TARGET2.'

(iv) The item 'Settlement account' is replaced by the following:

'Settlement account: an account held by a direct participant in TARGET2 with the central bank for the purpose of processing payments.'

(v) The item 'TARGET' is replaced by the following:

'TARGET: the predecessor of the TARGET2 system, operating in a decentralised structure linking together national RTGS systems and the ECB payment mechanism. The TARGET system is replaced by the TARGET2 system in accordance with the migration schedule specified in Article 13 of Guideline ECB/2007/2.'

(vi) After the term 'TARGET' the following is inserted:

'TARGET2 (Trans-European Automated Real-time Gross settlement Express Transfer system): the real-time gross settlement system for the euro, providing settlement of payments in euro in central bank money. TARGET2 is established and functions on the basis of a single platform, through which all payment orders are submitted and processed and through which payments are received in the same technical manner. TARGET2 is legally structured as a multiplicity of RTGS systems (TARGET2 component systems).'

ANNEX II

Annex II to Guideline ECB/2000/7 ('Additional Minimum Common Features') is amended as follows:

- (1) Paragraph 15 is replaced by the following:

'The relevant contractual or regulatory arrangements applied by the NCB must define "business day" as, in relation to an obligation to make a payment, any day on which TARGET2 (*) is operational to effect such a payment and, in relation to an obligation to deliver assets, any day on which the securities settlement systems through which delivery is to be made are open for business in the place where delivery of the relevant securities is to be effected.

(*) Where applicable, references to "TARGET2" must be construed as references to "TARGET" until the NCB has migrated to TARGET2.'

- (2) Paragraph 20(b)(ii) is replaced by the following:

'on the basis of the sums so established, the NCB must calculate what is due from each party to the other at the repurchase date. The sums due from one party must be set off against the sums due to the other and only the net balance is payable by the party having the claim thereby valued at the lower amount. Such net balance is due and payable on the next day on which TARGET2 is operational to effect a payment. For the purposes of this calculation, any sums not denominated in euro must be converted into euro on the appropriate date at the rate calculated in accordance with paragraph 16.'

- (3) Paragraph 31(b) is replaced by the following:

'On the basis of the sums so established, the NCB must calculate what is due from each party to the other at the retransfer date. The sums due from one party must be converted into euro where necessary in accordance with paragraph 16 and set off against the sums due to the other. Only the net balance is payable by the party having the claim thereby valued at the lower amount. Such net balance is due and payable on the next day on which TARGET2 is operational to effect such a payment.'

ANNEX III

The table of Eurosystem websites in the new Appendix 5 to Annex I to Guideline ECB/2000/7 is replaced by the following:

Central Bank	Website
European Central Bank	www.ecb.int
Nationale Bank van België/Banque Nationale de Belgique	www.nbb.be or www.bnb.be
Deutsche Bundesbank	www.bundesbank.de
Central Bank and Financial Services Authority of Ireland	www.centralbank.ie
Bank of Greece	www.bankofgreece.gr
Banco de España	www.bde.es
Banque de France	www.banque-france.fr
Banca d'Italia	www.bancaditalia.it
Central Bank of Cyprus	www.centralbank.gov.cy
Banque centrale du Luxembourg	www.bcl.lu
Central Bank of Malta	www.centralbankmalta.com
De Nederlandsche Bank	www.dnb.nl
Oesterreichische Nationalbank	www.oenb.at
Banco de Portugal	www.bportugal.pt
Banka Slovenije	www.bsi.si
Suomen Pankki	www.bof.fi