

EUROPEAN CENTRAL BANK

DECISION OF THE EUROPEAN CENTRAL BANK

of 22 November 2007

amending Decision ECB/2001/16 on the allocation of monetary income of the national central banks of participating Member States from the financial year 2002

(ECB/2007/15)

(2007/850/EC)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank (hereinafter the 'ESCB Statute'), and in particular Article 32 thereof,

Whereas:

(1) Article 32 of the ESCB Statute lays down general rules for the allocation of monetary income of national central banks (NCBs) of Member States that have adopted the euro. The general rules laid down in Article 32 of the ESCB Statute also apply to the income resulting from the write-off of euro banknotes that have been withdrawn from circulation.

(2) Article 32.5 of the ESCB Statute specifies that the sum of the NCBs' monetary income is allocated to the NCBs in proportion to their paid up shares in the ECB's capital. Pursuant to Article 32.7 of the ESCB Statute, the Governing Council is competent to take all other measures necessary for the application of Article 32. This includes the competence to take account of other factors when deciding on the allocation of income resulting from the write-off of euro banknotes that have been withdrawn from circulation. In this context, the principles of equal treatment and fairness require that account be taken of the time period during which the withdrawn euro banknotes were issued. The allocation key for this specific income must therefore reflect both the relevant share in the ECB's capital and the length of the issue phase.

(3) The withdrawal of euro banknotes needs to be regulated by separate decisions to be taken pursuant to Article 5 of Decision ECB/2003/4 of 20 March 2003 on the denominations, specifications, reproduction, exchange and withdrawal of euro banknotes ⁽¹⁾.

(4) This Decision is without prejudice to the liabilities of issuing authorities, pursuant to Decision ECB/2001/15 of 6 December 2001 on the issue of euro banknotes ⁽²⁾.

(5) Article 14(2) of Guideline ECB/2007/2 of 26 April 2007 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2) ⁽³⁾ provides that the TARGET2 system will replace the current TARGET system. The NCBs of Member States that have adopted the euro will migrate to TARGET2 in accordance with the schedule specified in Article 13 of Guideline ECB/2007/2. Furthermore, certain NCBs of Member States that have not adopted the euro will connect to TARGET2 on the basis of a separate agreement with the ECB and the NCBs of Member States that have adopted the euro. It is therefore necessary to update the references to 'TARGET' in Decision ECB/2001/16 of 6 December 2001 on the allocation of monetary income of the national central banks of participating Member States from the financial year 2002 ⁽⁴⁾.

(6) Some further changes to Decision ECB/2001/16 are also needed in relation to the measurement of monetary income and the treatment of frontloaded euro banknotes,

HAS DECIDED AS FOLLOWS:

Article 1

Decision ECB/2001/16 is amended as follows:

1. Article 1 is amended as follows:

The following definitions are inserted after the definition of 'daily foreign exchange reference rate':

⁽¹⁾ OJ L 78, 25.3.2003, p. 16.

⁽²⁾ OJ L 337, 20.12.2001, p. 52. Decision as last amended by Decision ECB/2006/25 (OJ L 24, 31.1.2007, p. 13).

⁽³⁾ OJ L 237, 8.9.2007, p. 1.

⁽⁴⁾ OJ L 337, 20.12.2001, p. 55. Decision as last amended by Decision ECB/2006/7 (OJ L 148, 2.6.2006, p. 56).

‘(n) “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;

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

(p) “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;

(q) “to write off” means to eliminate withdrawn euro banknotes from the balance sheet item “banknotes in circulation”.’

2. Article 3(3) is replaced by the following:

‘3. 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.’

3. The following Article 5a is inserted after Article 5:

‘Article 5a

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.

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.’

4. Annex I is amended in accordance with Annex I to this Decision.

5. Annex II is amended in accordance with Annex II to this Decision.

6. All references in Decision ECB/2001/16 to ‘TARGET’ shall be construed as references to ‘TARGET2’ once the relevant NCB has migrated to TARGET2.

*Article 2***Final provision**

This Decision shall enter into force on 1 January 2008.

Done at Frankfurt-am-Main, 22 November 2007.

The President of the ECB
Jean-Claude TRICHET

ANNEX I

Annex I to Decision ECB/2001/16 is amended as follows.

The following subparagraph is inserted at the end of paragraph 1 in Part A:

'In the event that the cash change-over date is a day on which TARGET/TARGET2 is closed, the liability of a new Eurosystem NCB which results from euro banknotes that have been frontloaded pursuant to Guideline ECB/2006/9 of 14 July 2006 on certain preparations for the euro cash changeover and on frontloading and sub-frontloading of euro banknotes and coins outside the euro area ⁽¹⁾ and have then entered into circulation before the cash change-over date form 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 TARGET/TARGET2 transactions.

⁽¹⁾ OJ L 207, 28.7.2006, p. 39.'

ANNEX II

Annex II to Decision ECB/2001/16 is amended as follows.

The following paragraph is inserted at the end of Part A, after the paragraph ending 'as at 31 December 2002':

'6. claims resulting from euro banknotes that have been frontloaded pursuant to Guideline ECB/2006/9 and have then entered into circulation before the cash change-over date (part of asset item 4.1 of the HBS until the cash change-over date and thereafter part of the correspondent accounts under asset item 9.5 of the HBS), but only until such claim becomes part of the intra-Eurosystem claims resulting from TARGET/TARGET2 transactions.'
