Decision (EU) 2020/140 of the European Central Bank of 22 January 2020 laying down the measures necessary for the contribution to the European Central Bank's accumulated equity value and for adjusting the national central banks' claims equivalent to the transferred foreign reserve assets and repealing Decision (EU) 2019/46 (ECB/2020/6)

DECISION (EU) 2020/140 OF THE EUROPEAN CENTRAL BANK

of 22 January 2020

laying down the measures necessary for the contribution to the European Central Bank's accumulated equity value and for adjusting the national central banks' claims equivalent to the transferred foreign reserve assets and repealing Decision (EU) 2019/46 (ECB/2020/6)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank, and in particular Article 30 thereof,

Whereas:

(1) On 29 March 2017, the United Kingdom of Great Britain and Northern Ireland (the 'United Kingdom') submitted the notification of its intention to withdraw from the European Union pursuant to Article 50 of the Treaty on European Union. The Treaty on European Union and the Treaty on the Functioning of the European Union will cease to apply to the United Kingdom from the date following the date referred to in Article 1(1) of Decision (EU) 2019/1810 of the European Council[(1)]. Upon the withdrawal of the United Kingdom from the European Union, the Bank of England (BoE) ceases to be a national central bank of a Member State and therefore of the European System of Central Banks. Decision (EU) 2020/137 of the European Central Bank (ECB/2020/3)[(2)] provides for the adjustment of the key for subscription to the capital of the European Central Bank (ECB) (hereinafter the 'capital key') in accordance with Article 29.3 and Article 29.4 of the Statute of the European System of Central Banks and of the European Central Bank (hereinafter the 'Statute of the ESCB') and establishes, with effect from 1 February 2020, the new weightings assigned to the national central banks (NCBs) in the adjusted capital key (hereinafter the 'capital key weightings').

(2) The adjustments to the capital key weightings and the resulting changes in the NCBs' shares in the ECB's subscribed capital make it necessary to adjust the claims which the ECB has credited under Article 30.3 of the Statute of the ESCB to the NCBs of the Member States whose currency is the euro (hereinafter the 'euro area NCBs') and which are equivalent to the contributions by euro area NCBs of foreign reserve assets to the ECB (hereinafter the 'claims'). Those euro area NCBs whose claims increase from 1 February 2020 should therefore effect a compensatory transfer to the ECB, while

Changes to legislation: *There are currently no known outstanding effects for the Decision (EU) 2020/140 of the European Central Bank. (See end of Document for details)*

the ECB should effect a compensatory transfer to those euro area NCBs whose claims decrease.

(3) In accordance with the general principles of fairness, equal treatment and the protection of legitimate expectations underlying the Statute of the ESCB, those euro area NCBs whose relative share in the ECB's accumulated equity value increases due to the abovementioned adjustments should also effect a compensatory transfer to those euro area NCBs whose relative shares decrease.

(4) The respective capital key weightings of each euro area NCB until 31 January 2020 and with effect from 1 February 2020 should be expressed as a percentage of the ECB's total capital as subscribed to by all euro area NCBs for the purpose of calculating the adjustment of the value of each euro area NCB's share in the ECB's accumulated equity value.

(5) Accordingly, the adoption of a new ECB decision is required to repeal Decision (EU) 2019/46 of the European Central Bank (ECB/2018/30)[(3)],

HAS ADOPTED THIS DECISION:

Article 1

Definitions

For the purposes of this Decision:

(a) 'accumulated equity value' means the total of the ECB's reserves, revaluation accounts and provisions equivalent to reserves as calculated by the ECB as at 31 January 2020 plus the ECB's accumulated net profit or minus the ECB's accumulated net loss, as the case may be, from 1 January 2020 until 31 January 2020. The ECB's reserves and those provisions equivalent to reserves shall include, without limitation to the generality of the accumulated equity value, the general reserve fund and the provision for financial risks;

(b) 'transfer date' means 28 February 2020;

(c) the 'ECB's income on euro banknotes in circulation' shall have the same meaning as the term 'ECB's income on euro banknotes in circulation' as set out in Article 1(c) of Decision (EU) 2015/298 of the European Central Bank (ECB/2014/57)[(4)];

(d) the 'ECB's income from securities' shall have the same meaning as the term 'ECB's income arising from securities' as set out in Article 1(d) of Decision (EU) 2015/298 (ECB/2014/57).

Article 2

Contribution to the ECB's reserves and provisions

1 If a euro area NCB's share in the accumulated equity value increases with effect from 1 February 2020, that euro area NCB shall transfer the amount determined pursuant to paragraph 3 to the ECB on the transfer date.

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2 If a euro area NCB's share in the accumulated equity value decreases with effect from 1 February 2020, that euro area NCB shall receive the amount determined pursuant to paragraph 3 from the ECB on the transfer date.

3 The ECB shall, at the latest, one business day prior to the transfer date, calculate and confirm to each euro area NCB either the amount to be transferred by that euro area NCB to the ECB where paragraph 1 applies, or the amount which that euro area NCB shall receive from the ECB where paragraph 2 applies. Subject to rounding, each amount to be transferred or received shall be calculated by multiplying the accumulated equity value by the absolute difference between each euro area NCB's capital key weighting on 31 January 2020 and its capital key weighting with effect from 1 February 2020 and dividing the result by 100.

4 Each amount described in paragraph 3 shall be due in euro on 1 February 2020 but shall be effectively transferred on the transfer date.

5 On the transfer date, a euro area NCB or the ECB having to transfer an amount under paragraph 1 or paragraph 2 shall also separately transfer any interest accruing over the period from 1 February 2020 until the transfer date on each of the respective amounts due from such euro area NCB and the ECB. The transferors and recipients of this interest shall be the same as the transferors and recipients of the amounts on which the interest accrues.

6 If the accumulated equity value is less than zero, the amounts that have to be transferred or received under paragraph 3 and paragraph 5 shall be settled in the opposite directions to those specified in paragraph 3 and paragraph 5.

Article 3

Adjustment of the claims equivalent to the transferred foreign reserve assets

1 The euro area NCBs' claims shall be adjusted with effect from 1 February 2020 in accordance with their adjusted capital key weightings. The adjusted value of the euro area NCBs' claims is shown in the third column of the table in Annex I to this Decision.

2 Each euro area NCB shall, by virtue of this provision and without any further formality or act being required, be considered to have either transferred or received on 1 February 2020 the absolute value of the claim in euro shown next to its name in the fourth column of the table in Annex I to this Decision, whereby '-' shall refer to a claim that the euro area NCB shall transfer to the ECB and '+' to a claim that the ECB shall transfer to the euro area NCB.

3 On the first operating day of the Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2) following 1 February 2020, each euro area NCB shall either transfer or receive the absolute value of the amount in euro shown next to its name in the fourth column of the table in Annex I to this Decision, whereby '+' shall refer to an amount that the euro area NCB shall transfer to the ECB and '-' to an amount that the ECB shall transfer to the euro area NCB.

4 On the first operating day of TARGET2 following 1 February 2020, a euro area NCB or the ECB required to transfer an amount under paragraph 3 shall also separately transfer any interest accruing over the period from 1 February 2020 until the date of that transfer on the respective amount due from such euro area NCB or the ECB. The transferors and recipients of this interest shall be the same as the transferors and recipients of the amounts on which the interest accrues.

Changes to legislation: *There are currently no known outstanding effects for the Decision (EU) 2020/140 of the European Central Bank. (See end of Document for details)*

Article 4

Related financial issues

1 By way of derogation from the third subparagraph of Article 2(1) of Decision (EU) 2016/2248 of the European Central Bank (ECB/2016/36)[5], the intra-Eurosystem balances on euro banknotes in circulation shall, for the period from 1 February 2020 until 27 February 2020, be calculated on the basis of the capital key applicable from 1 February 2020 applied to balances on the total euro banknotes in circulation on 31 January 2020. For the period from 1 February 2020 until 31 December 2020, the compensatory amounts and the accounting entries to balance those amounts, as described in Article 4(5) of Decision (EU) 2016/2248 (ECB/2016/36), shall be recorded in the books of each national central bank with a value date of 1 February 2020.

2 In relation to the period from 1 January 2020 until 31 January 2020, the euro area NCBs' monetary income shall be allocated and distributed in accordance with the capital key weightings applicable on 31 January 2020.

3 The ECB's net profit or loss, as the case may be, for the financial year 2020 shall be allocated on the basis of the capital key weightings applicable on 1 February 2020.

4 Any interim distribution of the ECB's income on euro banknotes and/or the ECB's income from securities for the year 2020 shall be allocated on the basis of the capital key weightings applicable on 1 February 2020.

5 In the event that the ECB makes a loss in the financial year 2020, the ECB shall offset the loss against the following:

a funds released from the ECB's general reserve fund;

b subject to a decision of the Governing Council under Article 33 of the Statute of the ESCB, the NCBs' monetary income from 1 February 2020 until 31 December 2020;

c subject to a decision of the Governing Council under Article 33 of the Statute of the ESCB, the NCBs' monetary income from 1 January 2020 until 31 January 2020.

6 If the NCBs' monetary income from 1 January 2020 until 31 January 2020 needs to be transferred to the ECB to cover its loss for the financial year 2020 compensatory payments in addition to the payments described in Article 2 and Article 3 shall be made. Each euro area NCB whose capital key weighting increases on 1 February 2020 shall make such a payment to the ECB, and the ECB shall make such a payment to each euro area NCB whose capital key weighting decreases on 1 February 2020. The amount of the compensatory payments shall be calculated as follows: the total monetary income for the period from 1 January 2020 until 31 January 2020 transferred to the ECB to cover its loss shall be multiplied by the absolute difference between the relevant euro area NCB's capital key weighting on 31 January 2020 and its capital key weighting with effect from 1 February 2020 and the result shall be divided by 100. Interest on compensatory payments relating to the NCBs' monetary income shall accrue from 1 January 2021 until the date these payments are made.

7 The additional compensatory payments relating to the NCBs' monetary income, as described in paragraph 6, as well as interest accrued thereon, shall be paid on the second business day after the approval by the Governing Council of the ECB's annual accounts for the financial year 2020.