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EUROPEAN CENTRAL BANK

GUIDELINE OF THE EUROPEAN CENTRAL BANK

of 5 December 2002

on the legal framework for accounting and financial reporting in the European System of Central Banks

(ECB/2002/10)

(2003/131/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, and in particular to Article 12.1, Article 14.3 and Article 26.4 thereof,

Having regard to the contribution of the General Council of the European Central Bank (ECB) under the second and third indents of Article 47.2 of the Statute,

Whereas:

- (1) The European System of Central Banks (ESCB) is subject to reporting commitments under Article 15 of the Statute.
- (2) According to Article 26.3 of the Statute, the Executive Board of the ECB shall draw up a consolidated balance sheet of the ESCB for analytical and operational purposes.
- (3) According to Article 26.4 of the Statute, the Governing Council of the ECB shall establish the necessary rules for standardising the accounting and financial reporting of operations undertaken by the national central banks (NCBs) of the participating Member States for the application of Article 26 of the Statute.
- (4) Under the transitory rules of Guideline ECB/2000/18 of 1 December 1998 on the legal framework for accounting and reporting in the European System of Central Banks as amended on 15 December 1999 and 14 December 2000 ⁽¹⁾ all assets and liabilities as at the close of business on 31 December 1998 had to be

revalued on 1 January 1999. Unrealised gains, which arose before or on 1 January 1999, had to be separated from those unrealised valuation gains that might have arisen after 1 January 1999 and had to remain with the NCBs. The market prices and rates applied by the ECB and the NCBs in the opening balance sheets on 1 January 1999 were the new average cost at the start of the transitional period. It was recommended that unrealised gains arising before or on 1 January 1999 should not be considered as distributable at the time of the transition and that these should only be treated as realisable/distributable in the context of transactions that occur after the start of the transitional period. Foreign exchange and gold gains and losses and price gains and losses, due to the transfer of assets from the NCBs to the ECB, had to be considered as realised.

- (5) With regard to the disclosure relating to euro banknotes in circulation remuneration of net intra-Eurosystem claims/liabilities resulting from the allocation of euro banknotes within the Eurosystem, and monetary income, this should be harmonised in the published annual balance sheets, profit and loss accounts and notes to the annual accounts of NCBs. The items to be harmonised are indicated with an asterisk in Annexes IV, VIII and IX.
- (6) Due regard has been given to the preparatory work conducted by the European Monetary Institute (EMI).
- (7) The content of Guideline ECB/2000/18 will now be significantly amended. It is desirable for reasons of clarity to recast it in one single text.
- (8) The ECB attaches great importance to enhancing the transparency of the regulatory framework of the ESCB

⁽¹⁾ OJ L 33, 2.2.2001, p. 21.

even in the absence of an obligation to do so under the Treaty establishing the European Community. The ECB has decided, in line with this approach, to publish this Guideline.

- (9) In accordance with Article 12.1 and Article 14.3 of the Statute, ECB guidelines form an integral part of Community law,

— ‘transitional period’: shall mean the period beginning on 1 January 1999 and ending on 31 December 2001,

— ‘quarterly revaluation date’: shall mean the date as at the last calendar day of a quarter.

2. Further definitions of technical terms used in this Guideline are included in the glossary attached as Annex II.

HAS ADOPTED THIS GUIDELINE:

CHAPTER I

GENERAL PROVISIONS

Article 1

Definitions

1. For the purposes of this Guideline:
 - ‘banknote allocation key’: shall mean the percentages that result from taking into account the ECB’s share in the total euro banknote issue and applying the subscribed capital key to the NCBs’ share in such total, under Decision ECB/2001/15 of 6 December 2001 on the issue of euro banknotes ⁽²⁾,
 - ‘consolidation’: shall mean the accounting process whereby the financial figures of various separate legal entities are aggregated as though they were one entity,
 - ‘ESCB accounting and financial reporting purposes’: shall mean the purposes for which the ECB produces the financial statements listed in Annex I in accordance with Articles 15 and 26 of the Statute,
 - ‘national central banks’ (NCBs): shall mean the NCBs of participating Member States,
 - ‘participating Member States’: shall mean Member States which have adopted the euro in accordance with the Treaty establishing the European Community,
 - ‘non-participating Member States’: shall mean Member States which have not adopted the euro in accordance with the Treaty,
 - ‘Eurosystem’: shall mean the NCBs and the ECB,

⁽²⁾ OJ L 337, 20.12.2001, p. 52.

Article 2

Scope of application

1. The rules set out in this Guideline shall apply to the ECB and to the NCBs for ESCB accounting and financial reporting purposes.

2. The scope of application of this Guideline is confined to the accounting and financial reporting regime of the ESCB as required by the Statute and, therefore, it does not lay down binding rules for NCBs’ national reports and financial accounts. In order to achieve consistency and comparability between the ESCB and national regimes, it is recommended that NCBs should, to the extent possible, follow the rules set out in this Guideline for their national reports and financial accounts.

Article 3

Basic accounting assumptions

The following basic accounting assumptions shall apply:

- (a) economic reality and transparency: the accounting methods and financial reporting shall reflect economic reality, shall be transparent and shall respect the qualitative characteristics of understandability, relevance, reliability and comparability. Transactions shall be accounted for and presented in accordance with their substance and economic reality and not merely with their legal form;
- (b) prudence: the valuation of assets and liabilities and income recognition shall be carried out prudently. In the context of this Guideline, this implies that unrealised gains are not recognised as income in the profit and loss account, but are transferred directly to a revaluation account. However, prudence does not allow the creation of hidden reserves or the deliberate misstatement of items on the balance sheet and in the profit and loss account;
- (c) post-balance-sheet events: assets and liabilities shall be adjusted for events that occur between the annual balance sheet date and the date on which the financial statements

are approved by the relevant bodies if they affect the condition of assets or liabilities at the balance sheet date. No adjustment shall be made for assets and liabilities, but disclosure shall be made of those events occurring after the balance sheet date that do not affect the condition of assets and liabilities at the balance sheet date, but which are of such importance that non-disclosure would affect the ability of the users of the financial statements to make proper evaluations and decisions;

- (d) materiality: deviations from the accounting rules, including those affecting the calculation of the profit and loss accounts of the individual NCBs and of the ECB, shall not be allowed unless they can reasonably be judged to be immaterial in the overall context and presentation of the financial accounts of the reporting institution;
- (e) going concern basis: accounts shall be prepared on a going concern basis;
- (f) the accruals principle: income and expenses shall be recognised in the accounting period in which they are earned or incurred and not according to the period in which they are received or paid;
- (g) consistency and comparability: the criteria for balance sheet valuation and income recognition shall be applied consistently in terms of commonality and continuity of approach within the ESCB to ensure comparability of data in the financial statements.

Article 4

Recognition of assets and liabilities

A financial or other asset/liability shall only be recognised in the balance sheet of the reporting entity when:

- (a) it is probable that any future economic benefit associated with the asset or liability item will flow to or from the reporting entity;
- (b) substantially all of the risks and rewards associated with the asset or liability have been transferred to the reporting entity; and
- (c) the cost or value of the asset to the reporting entity or the amount of the obligation can be measured reliably.

Article 5

Cash/settlement and economic approach

1. The cash (or settlement) approach shall be used as the basis for recording data in the accounting systems of the Eurosystem until 31 December 2006.
2. From 1 January 2007, the economic approach as defined in Annex III shall be used as the basis for recording data of foreign exchange transactions and accruals denominated in foreign currencies in the accounting systems of the Eurosystem. Securities transactions may continue to be recorded according to the cash (or settlement) approach.
3. In derogation from paragraph 1, NCBs may use the economic approach before 1 January 2007.
4. Figures presented as part of the daily financial reporting for Eurosystem financial reporting purposes shall show cash movements in balance sheet items other than those disclosed under 'Other assets' and 'Other liabilities', except for quarter-end and year-end accounting adjustments.

CHAPTER II

COMPOSITION AND VALUATION RULES FOR THE BALANCE SHEET

Article 6

Composition of the balance sheet

The composition of the balance sheet of the ECB/NCBs for ESCB financial reporting purposes shall be based on the structure established in Annex IV.

Article 7

Balance sheet valuation rules

1. Current market rates and prices shall be used for balance sheet valuation purposes unless specified otherwise in Annex IV.
2. The revaluation of gold, foreign currency instruments, securities and financial instruments (on-balance-sheet and off-balance-sheet) shall be performed on the quarterly revaluation date at mid-market rates and prices. This shall not preclude the ECB/NCBs from revaluing their portfolios on a more frequent basis for internal purposes, provided that only data at transaction value is reported during the quarter.
3. No distinction shall be made between price and currency revaluation differences for gold, but a single gold revaluation difference shall be accounted for, based on the euro price per defined unit of weight of gold derived from the EUR/USD

exchange rate on the quarterly revaluation date. Revaluation shall take place on a currency-by-currency basis for foreign exchange (including on-balance-sheet and off-balance-sheet transactions) and on a code-by-code basis (same ISIN number/type) for securities, except for those securities included in the item 'Other financial assets', which shall be treated as separate holdings.

4. Revaluation bookings shall be reversed at the end of the next quarter, except for unrealised losses taken to the profit and loss account at the end of the year; during the quarter any transactions shall be reported at transaction prices and rates.

Article 8

Repurchase agreements

1. A reverse transaction conducted under a repurchase agreement shall be recorded as a collateralised inward deposit on the liabilities side of the balance sheet, while the item that has been given as collateral remains on the assets side of the balance sheet. Securities sold which are to be repurchased under repurchase agreements shall be treated by the ECB/NCB required to repurchase them as if the assets in question were still part of the portfolio from which they were sold.

2. A reverse transaction conducted under a reverse repurchase agreement shall be recorded as a collateralised outward loan on the assets side of the balance sheet for the amount of the loan. Securities acquired under reverse repurchase agreements shall not be revalued and no profit or loss arising thereon shall be taken to the profit and loss account by the party lending the funds.

3. Reverse transactions involving securities denominated in foreign currencies shall have no effect on the average cost of the currency position.

4. In the case of security lending transactions, the securities shall remain on the balance sheet of the transferor. Such transactions shall be accounted for in the same manner as that prescribed for repurchase operations. If, however, securities borrowed by the ECB, or an NCB acting as the transferee, are not kept in its depot at the year-end, the transferee shall establish a provision for losses if the market value of the underlying securities has risen since the contract date of the lending transaction and to show a liability (retransfer of the securities) if the transferee has in the meantime sold the securities.

5. Collateralised gold transactions shall be treated as repurchase agreements. The gold flows relating to these collateralised transactions shall not be recorded in the financial statements and the difference between the spot and forward prices of the transaction shall be treated on an accruals basis.

6. Reverse transactions (including security lending transactions) conducted under an automated security lending programme shall be recorded with effect on the balance sheet for such transactions only where collateral is provided in the form of cash over the complete maturity of the operation.

Article 9

Marketable equity instruments

1. This Article applies to marketable equity instruments (equity shares or equity funds), whether the transactions are conducted directly by an NCB or the ECB or by an agent, with the exception of activities conducted for pension funds, participating interests, investments in subsidiaries, significant interests or financial fixed assets.

2. Equity instruments denominated in foreign currencies shall not form part of the overall currency position but shall be part of a separate currency holding. It is recommended that the calculation of the related foreign exchange gains and losses can be performed either on a net average cost method or (alternatively) on an average cost method.

3. It is recommended that equity instruments be treated in line with the following rules:

- (a) the revaluation of equity portfolios is performed in accordance with Article 7(2). Revaluation takes place on an item-by-item basis. For equity funds, the price revaluation is performed on a net basis, and not on an individual share-by-share basis. There is no netting between different equity shares or between different equity funds;
- (b) transactions are recorded in the balance sheet at transaction price;
- (c) brokerage commission is recorded either as transaction cost to be included in the cost of the asset or as expense in the profit and loss account;
- (d) the amount of the dividend purchased is included in the cost of the equity instrument. At ex-dividend date, while the payment of the dividend has not yet been received, the amount of the dividend purchased may be treated as a separate item;
- (e) accruals on dividends are not booked at period-end as they are already reflected in the market price of the equity instruments with the exception of equities quoted ex-dividend;
- (f) rights issues are treated as a separate asset when issued. The acquisition cost is calculated based on the old average cost of the equities, on the strike price of the new one, and on the proportion between old and new equities.

Alternatively, the price of the right may be based on the value of the right in the market, the old average cost of equity and the market price of equity before the right issue. They are treated in line with Eurosystem accounting rules.

Article 10

Banknotes

The 'banknotes in circulation' figure in the balance sheets of NCBs shall be the result of two components:

- (a) unadjusted amount of euro banknotes in circulation, which shall be calculated according to either of the following two methods:

Method A: $BC = BP - BD - S$

Method B: $BC = BI - BR$

Where: BC = is the euro 'banknotes in circulation' figure

BP = is the value of euro banknotes produced or received from the printer or other NCBs

BD = is the value of euro banknotes destroyed

BI = is the value of euro banknotes put into circulation

BR = is the value of euro banknotes received

S = is the value of euro banknotes in stock/vault;

- (b) plus/minus the amount of the adjustments resulting from the application of the banknote allocation key.

CHAPTER III

INCOME RECOGNITION

Article 11

Recognition of income

1. The following rules shall apply to income recognition:
 - (a) realised gains and realised losses shall be taken to the profit and loss account;
 - (b) unrealised gains shall not be recognised as income, but transferred directly to a revaluation account;

- (c) unrealised losses shall be taken to the profit and loss account when exceeding previous revaluation gains registered in the corresponding revaluation account;

- (d) unrealised losses taken to the profit and loss account shall not be reversed in subsequent years against new unrealised gains;

- (e) there shall be no netting of unrealised losses in any one security, or in any currency or in gold holdings against unrealised gains in other securities or currencies or gold.

2. Premiums or discounts arising on issued and purchased securities shall be calculated and presented as part of interest income and shall be amortised over the remaining life of the securities, either according to the straight-line method or the internal rate of return (IRR) method. The IRR method shall, however, be mandatory for discount securities with a remaining maturity of more than one year at the time of acquisition.

3. Accruals for financial assets and liabilities (e.g. interest payable and amortised premiums/discounts) shall be calculated and recorded/booked in the accounts at least quarterly. Accruals for other items shall be calculated and recorded/booked in the accounts at least on an annual basis.

4. The ECB/NCBs may calculate accruals on a more frequent detailed basis provided that only data at transaction value is reported during the quarter.

5. Accruals denominated in foreign currencies shall be translated at the mid-market rate at the end of the quarterly period and reversed at the same rate.

6. Generally, for the calculation of accruals during the year local practice may apply (i.e. calculation until either the last business day or the last calendar day of the quarter). However, at year-end the last calendar day of the quarter (i.e. 31 December) is the mandatory reference date.

7. Only transactions that entail a change in the holding of a given currency may give rise to realised foreign exchange gains or losses.

Article 12

Cost of transactions

1. The following general rules shall apply to the cost of transactions:

- (a) the average cost method shall be used on a daily basis for gold, foreign currency instruments and securities, to compute the acquisition cost of items sold, having regard to the effect of exchange rate and/or price movements;

- (b) the average cost price/rate of the asset/liability shall be reduced/increased by unrealised losses taken to the profit and loss account at the year-end;
- (c) in the case of the acquisition of coupon securities, the amount of coupon income purchased shall be treated as a separate item. In the case of securities denominated in foreign currency, it shall be included in the holding of that currency, but shall not be included in the cost or price of the asset for the purpose of determining the average price.

2. The following special rules shall apply to securities:

- (a) transactions shall be recorded at the transaction price and booked in the financial accounts at the clean price;
- (b) custody and management fees, current account fees and other indirect costs are not considered as transaction costs and shall be included in the profit and loss account. They shall not be treated as part of the average cost of a particular asset;
- (c) income shall be recorded gross with refundable withholding and other taxes accounted for separately;
- (d) for the purpose of calculating the average purchase cost of a security, either (i) all purchases made during the day shall be added at cost to the previous day's holding to produce a new weighted average price before applying the sales for the same day; or (ii) individual purchases and sales of securities may be applied in the order in which they occurred during the day for the purpose of calculating the revised average price.

3. The following special rules shall apply to gold and foreign exchange:

- (a) transactions in a foreign currency which entail no change in the holding of that currency shall be translated into euro, using the exchange rate of the contract or settlement date, and shall not affect the acquisition cost of that holding;
- (b) transactions in foreign currency which entail a change in the holding of that currency shall be translated into euro at the exchange rate of the contract or settlement date;
- (c) actual cash receipts and payments shall be translated at the mid-market exchange rate on the day on which settlement occurs;
- (d) net acquisitions of currencies and gold made during the day shall be added, at the average cost of the purchases of the day for each respective currency and gold, to the previous day's holding, to produce a new weighted average

rate/gold price. In the case of net sales, the calculation of the realised gain or loss shall be based on the average cost of the respective currency or gold holding for the preceding day so that the average cost remains unchanged. Differences in the average rate/gold price between inflows and outflows made during the day shall also result in realised gains or losses. Where a liability situation exists in respect of a foreign currency or gold position, the reverse treatment shall apply to the abovementioned approach. Thus the average cost of the liability position shall be affected by net sales, while net purchases shall reduce the position at the existing weighted average rate/gold price;

- (e) costs of foreign exchange transactions and other general costs shall be posted to the profit and loss account.

CHAPTER IV

ACCOUNTING RULES FOR OFF-BALANCE-SHEET INSTRUMENTS

Article 13

General rules

1. Foreign exchange forward transactions, forward legs of foreign exchange swaps and other currency instruments involving an exchange of one currency for another at a future date shall be included in the net foreign currency positions for calculating foreign exchange gains and losses.
2. Interest rate swaps, futures, forward rate agreements and other interest rate instruments shall be accounted for and revalued on an item-by-item basis. These instruments shall be treated separately from on-balance-sheet items.
3. Profits and losses arising from off-balance-sheet instruments shall be recognised and treated in a similar manner to on-balance-sheet instruments.

Article 14

Foreign exchange forward transactions

1. Forward purchases and sales shall be recognised in off-balance-sheet accounts from the trade date to the settlement date at the spot rate of the forward transaction. Gains and losses on sale transactions shall be calculated using the average cost of the currency position on the contract date plus two or three working days in accordance with the daily netting procedure for purchases and sales. Gains and losses shall be considered to be unrealised until the settlement date and shall be treated in accordance with Article 11(1).

2. The difference between the spot and the forward rates shall be treated as interest payable or receivable on an accruals basis for both purchases and sales.

3. At the settlement date the off-balance-sheet accounts shall be reversed, and any balance on the revaluation account shall be credited to the profit and loss account at quarter-end.

4. The average cost of the currency position shall be affected by forward purchases from the trade date plus either two or three working days, depending on the market conventions for the settlement of spot transactions at the spot purchase rate.

5. The forward positions shall be valued in conjunction with the spot position of the same currency, offsetting any differences that may arise within a single currency position. A net loss balance shall be debited to the profit and loss account when it exceeds previous revaluation gains registered in the revaluation account; a net profit balance shall be credited to the revaluation account.

Article 15

Foreign exchange swaps

1. Spot purchases and sales shall be recognised in on-balance-sheet accounts at the settlement date.

2. Forward sales and purchases shall be recognised in off-balance-sheet accounts from the trade date to the settlement date at the spot rate of the forward transactions.

3. Sale transactions shall be recognised at the spot rate of the transaction; therefore no gains and losses shall arise.

4. The difference between the spot and forward rates shall be treated as interest payable or receivable on an accruals basis for both purchases and sales.

5. At the settlement date the off-balance-sheet accounts shall be reversed.

6. The average cost of the foreign currency position shall not change.

7. The forward position shall be valued in conjunction with the spot position.

Article 16

Interest rate futures

1. Interest rate futures shall be recorded on the trade date in off-balance-sheet accounts.

2. The initial margin shall be recorded as a separate asset if deposited in cash. If deposited in the form of securities it shall remain unchanged in the balance sheet.

3. Daily changes in the variation margins shall be recorded in the balance sheet in a separate account, either as an asset or as a liability, depending on the price development of the futures contract. The same procedure shall be applied on the closing day of the open position. Immediately thereafter the separate account shall be cancelled and the overall result of the transaction shall be recorded as a profit or loss, regardless of whether or not delivery takes place. If delivery does take place, the purchase or sale entry shall be made at market price.

4. Fees shall be taken to the profit and loss account.

5. The conversion into euro, if appropriate, shall be made on the close-out day at the market rate on that day. An inflow of foreign currency shall have an effect on the average cost of this currency position on the close-out date.

6. Owing to daily revaluation, the profits and losses shall be entered in defined separate accounts. A separate account on the assets side shall represent a loss and a separate account on the liabilities side shall represent a profit. Unrealised losses shall be debited to the profit and loss account and such amounts shall be credited to a liability account as other liabilities.

7. Unrealised losses taken to the profit and loss account at the year-end shall not be reversed in subsequent years against unrealised profits, unless the instrument is closed out or terminated. In the case of a profit, the entry made shall be debited to a suspense account as other assets and credited to the revaluation account.

Article 17

Interest rate swaps

1. Interest rate swaps shall be recorded on the trade date in off-balance-sheet accounts.

2. The current interest payments, either received or paid, shall be recorded on an accruals basis. Netting payments per interest rate swap are allowed.

3. The average cost of the currency position shall be affected by interest rate swaps in a foreign currency when there is a difference between payments received and payments paid. A payment balance leading to an inflow shall affect the average cost of the currency when the payment is due.

4. Every interest rate swap shall be marked-to-market and, if necessary, translated into euro at the currency spot rate. Unrealised losses taken to the profit and loss account at the year-end shall not be reversed in subsequent years against unrealised profits unless the instrument is closed out or terminated. Unrealised revaluation gains shall be credited to a revaluation account.

5. Fees shall be taken to the profit and loss account.

Article 18

Forward rate agreements

1. Forward rate agreements shall be recorded at the time of trading in off-balance-sheet accounts.

2. The compensation payment to be paid by one party to another at the settlement date shall be entered on the settlement date in the profit and loss account. Payments shall not be recorded on an accruals basis.

3. If forward rate agreements in a foreign currency are held, there shall be an effect on the average cost of this currency position in the compensation payment. The compensation payment shall be translated into euro at the spot rate at the settlement date. A payment balance leading to an inflow shall affect the average cost of the currency when the payment is due.

4. All forward rate agreements shall be marked-to-market and, if necessary, translated into euro at the currency spot rate. Unrealised losses taken to the profit and loss account at the year-end shall not be reversed in subsequent years against unrealised profits unless the instrument is closed out or terminated. Unrealised revaluation gains shall be credited to a revaluation account.

5. Fees shall be taken to the profit and loss account.

Article 19

Forward transactions in securities

Forward transactions in securities may be accounted for in accordance with either of the following two methods:

Method A:

- (a) forward transactions in securities shall be recorded in off-balance-sheet accounts from the trade date to the settlement date, at the forward price of the forward transaction;
- (b) the average cost of the holding of the traded security shall not be affected until settlement; the profit and loss effects of forward sale transactions shall be calculated on the settlement date;
- (c) at the settlement date the off-balance-sheet accounts shall be reversed and the balance on the revaluation account – if any – shall be credited to the profit and loss account. The security purchased shall be accounted for using the spot price on the maturity date (actual market price), while the difference with the original forward price is recognised as a realised profit or loss;
- (d) in the case of securities denominated in a foreign currency, the average cost of the net currency position shall not be affected if the ECB/NCBs already hold a position in that currency. If the bond purchased forward is denominated in a currency in which the ECB/NCBs do not hold a position, so that it is necessary to purchase the relevant currency, the rules for the purchase of foreign currencies under Article 12(3)(d) shall apply;
- (e) forward positions shall be valued on an isolated basis against the forward market price for the remaining duration of the transaction. A revaluation loss at the year-end shall be debited to the profit and loss account, and a revaluation profit shall be credited to the revaluation account. Unrealised losses recognised in the profit and loss account at the year-end shall not be reversed in subsequent years against unrealised profits unless the instrument is closed out or terminated.

Method B:

- (a) forward transactions in securities shall be recorded in off-balance-sheet accounts from the trade date to the settlement date at the forward price of the forward transaction. At the settlement date the off-balance-sheet accounts shall be reversed;
- (b) at the quarter-end the revaluation of a security shall be made on the basis of the net position resulting from the balance sheet and from the sales of the same security recorded in the off-balance-sheet accounts. The amount of the revaluation shall be equal to the difference between this net position valued at revaluation price and the same position valued at the average cost of the balance sheet position. At the quarter-end, forward purchases shall be subject to the revaluation process described in Article 7. The revaluation result shall be equal to the difference between the spot price and the average cost of the purchase commitments;

- (c) the result of a forward sale shall be recorded in the financial year in which the commitment was undertaken. This result shall be equal to the difference between the initial forward price and the average cost of the balance sheet position, or the average cost of the off-balance-sheet purchase commitments if the balance sheet position is insufficient, at the time of the sale.

CHAPTER V

REPORTING OBLIGATIONS

Article 20

Reporting formats

1. The NCBs shall report data for Eurosystem financial reporting purposes to the ECB in accordance with the requirements adopted by the Governing Council.
2. The reporting formats of the Eurosystem shall be consistent with this Guideline and comprise all items specified in Annex IV. The contents of the items to be included in the different balance sheet formats are also described in Annex IV.
3. The formats of the different published financial statements are laid down in the following Annexes:
 - (a) the published consolidated weekly financial statement of the Eurosystem after quarter-end in Annex V;
 - (b) the published consolidated weekly financial statement of the Eurosystem during the quarter in Annex VI;
 - (c) the consolidated annual balance sheet of the Eurosystem in Annex VII.

CHAPTER VI

ANNUAL PUBLISHED BALANCE SHEETS AND PROFIT AND LOSS ACCOUNTS

Article 21

Published balance sheets and profit and loss accounts

It is recommended that NCBs adapt their published annual balance sheets and profit and loss accounts in accordance with Annexes VIII and IX.

CHAPTER VII

CONSOLIDATION RULES

Article 22

General consolidation rules

1. Eurosystem consolidated balance sheets shall comprise all the items in the ECB's and the NCBs' balance sheets.
2. The Eurosystem consolidated balance sheets shall be produced by the ECB and shall respect the need for uniform accounting principles and techniques, the need for coterminous financial periods in the Eurosystem, consolidation adjustments arising from intra-Eurosystem transactions and positions, and account for changes in the composition of the Eurosystem.
3. The individual balance sheet items, other than intra-Eurosystem balances of the NCBs and of the ECB, shall be aggregated for consolidation purposes.
4. The NCBs' and the ECB's balances with third parties shall be recorded gross in the consolidation process.
5. Intra-Eurosystem balances shall be presented in the balance sheets of the ECB and of the NCBs as described in Annex IV.
6. There shall be consistency across reports in the consolidation process. All Eurosystem financial statements shall be prepared on a similar basis by applying the same consolidation techniques and processes.

CHAPTER VIII

FINAL PROVISIONS

Article 23

Development, application and interpretation of rules

1. The Accounting and Monetary Income Committee (AMICO) shall advise the Governing Council, via the Executive Board, on the development, application and implementation of the accounting and reporting rules of the ESCB.
2. In interpreting this Guideline, account shall be taken of the preparatory work, the accounting principles harmonised by Community law and generally accepted international accounting standards.

*Article 24***Repeal**

Guideline ECB/2000/18 is hereby repealed. References to the repealed Guideline shall be construed as references to this Guideline.

*Article 25***Final provisions**

1. This Guideline shall enter into force on 1 January 2003.
2. Without prejudice to the previous paragraph, this Guideline shall also apply to the format for the consolidated annual balance sheet of the Eurosystem as at 31 December 2002 and to the recommended format for the NCBs' annual balance sheets as at 31 December 2002, with the proviso that national banknotes still in circulation on 31 December 2002

shall be recorded in the balance sheet item 'banknotes in circulation'. It shall furthermore apply to the disclosure rules relating to euro banknotes in circulation, remuneration of net intra-Eurosystem claims/liabilities resulting from the allocation of euro banknotes within the Eurosystem and monetary income.

3. This Guideline is addressed to the NCBs.

This Guideline shall be published in the *Official Journal of the European Union*.

Done at Frankfurt am Main, 5 December 2002.

*On behalf of the Governing Council of the
ECB*

The President

Willem F. DUISENBERG

ANNEX I

FINANCIAL STATEMENTS FOR THE EUROSISTEM

Type of report	Internal/published	Source of legal requirement	Purpose of the report
1 Daily financial statement of the Eurosystem	Internal	None	Mainly for liquidity management purposes (for the implementation of Article 12.1 of the Statute) Part of the daily financial statement data is used for the calculation of monetary income
2 Disaggregated weekly financial statement	Internal	None	Basis for the production of the consolidated weekly financial statement of the Eurosystem
3 Consolidated weekly financial statement of the Eurosystem	Published	Article 15.2 of the Statute	Consolidated financial statement for monetary and economic analysis (the consolidated weekly financial statement of the Eurosystem is derived from the daily financial statement of the reporting day)
4 Monthly and quarterly financial information of the Eurosystem	Published and internal ⁽¹⁾	Statistical Regulations, according to which MFIs have to deliver data	Statistical analysis
5 Consolidated annual balance sheet of the Eurosystem	Published	Article 26.3 of the Statute	Consolidated balance sheet for analytical and operational purposes
6 Daily disaggregated reporting of TARGET flows and balances for the ESCB	Internal	None	Overview of TARGET transactions in the ESCB

⁽¹⁾ The monthly data feed into the published (aggregated) statistical data required from monetary financial institutions (MFIs) in the European Union. Moreover, as MFIs, the central banks also have to provide more detailed information on a quarterly basis than is provided in the monthly data.

ANNEX II

GLOSSARY

Amortisation shall mean the systematic reduction in the accounts of a premium/discount or of the value of assets over a period of time.

Asset shall mean a resource controlled by the enterprise as a result of past events and from which future economic benefits are expected to flow to the enterprise.

Automated security lending programme (ASLP) shall mean a financial operation combining repo and reverse repo transactions where specific collateral is lent against general collateral. As a result of these lending and borrowing transactions, income is generated through the different repo rates of the two transactions (i.e. the margin received). The operation may be conducted under a principal-based programme i.e. the bank offering this programme is considered the final counterparty, or under an agency-based programme i.e. the bank offering this programme acts only as agent, and the final counterparty is the institution with which the security lending transactions are effectively conducted.

Average cost shall mean the continued or weighted average method, by which the cost of every purchase is added to the existing book value to produce a new weighted average cost.

Cash/settlement approach shall mean an accounting approach under which accounting events are recorded at the settlement date.

Clean price shall mean transaction price excluding any rebate/accrued interest, but including transaction costs that form part of the price.

Discount shall mean the difference between the par value of a security and its price when such price is lower than par.

Discount security shall mean an asset which does not pay coupon interest, and the return on which is achieved by capital appreciation because the asset is issued or bought at a discount.

Economic approach shall mean an accounting approach under which deals are recorded on the transaction date.

Equity instruments shall mean dividend bearing securities (corporate shares, and securities evidencing an investment in an equity fund).

Financial asset shall mean any asset that is: (i) cash; or (ii) a contractual right to receive cash or another financial instrument from another enterprise; or (iii) a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable; or (iv) an equity instrument of another enterprise.

Financial liability shall mean any liability that is a legal obligation to deliver cash or another financial instrument to another enterprise or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

Foreign currency holding shall mean the net position in the respective currency. For the purpose of this definition special drawing rights (SDRs) shall be considered as a separate currency.

Foreign exchange forward shall mean a contract in which the outright purchase or sale of a certain amount denominated in a foreign currency against another currency, usually the domestic currency, is agreed on one day and the amount is to be delivered at a specified future date, more than two working days after the date of the contract, at a given price. This forward rate of exchange consists of the prevailing spot rate plus/minus an agreed premium/discount.

Foreign exchange swap shall mean the simultaneous spot purchase/sale of one currency against another (short leg) and forward sale/purchase of the same amount of this currency against the other currency (long leg).

Forward rate agreement shall mean a contract in which two parties agree the interest rate to be paid on a notional deposit of a specified maturity on a specific future date. At the settlement date compensation has to be paid by one party to the other, depending on the difference between the contracted interest rate and the market rate on the settlement date.

Forward transactions in securities shall mean over the counter contracts in which the purchase or sale of an interest rate instrument (usually a bond or note) is agreed on the contract date to be delivered at a future date, at a given price.

Interest rate future shall mean an exchange traded forward contract. In such a contract, the purchase or sale of an interest rate instrument, e.g. a bond, is agreed on the contract date to be delivered at a future date, at a given price. Usually no actual delivery takes place; the contract is normally closed out before the agreed maturity.

Internal rate of return shall mean the discount rate at which the accounting value of a security is equal to the present value of the future cash flow.

(Cross-currency) interest rate swap shall mean a contractual agreement to exchange cash flows representing streams of periodic interest payments with a counterparty either in one currency or in two different currencies.

Interlinking shall mean the technical infrastructures, design features and procedures which are put in place within or constitute adaptations of each national RTGS system and the ECB payment mechanism (EPM) for the purpose of processing cross-border payments in the TARGET system.

International securities identification number (ISIN) shall mean the number issued by the relevant competent issuing authority.

Liability shall mean a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.

Market price shall mean the price that is quoted for a gold, foreign exchange or securities instrument usually excluding accrued or rebate interest either on an organised market, e.g. stock exchange or a non-organised market, e.g. over-the-counter market.

Maturity date shall mean the date on which the nominal/principal value becomes due and payable in full to the holder.

Mid-market price shall mean the mid-point between the bid price and the offer price for a security based on quotations for transactions of normal market size by recognised market-makers or recognised trading exchanges, which is used for the quarterly revaluation procedure.

Mid-market rate shall mean the ECB daily concertation rates at 14.15, which is used for the quarterly revaluation procedure.

Premium shall mean the difference between the par value of a security and its price when such price is higher than par.

Provisions shall mean amounts set aside before arriving at the profit or loss figure in order to provide for any known or expected liability or risk, the cost of which cannot be accurately determined (see Reserves). Provisions for future liabilities and charges may not be used to adjust the value of assets.

Realised gains/losses shall mean gains/losses arising out of the difference between the sale price of a balance sheet item and its adjusted cost.

Reserves shall mean an amount set aside out of distributable profits, which is not intended to meet any specific liability, contingency or expected diminution in value of assets known to exist at the balance sheet date.

Revaluation accounts shall mean balance sheet accounts for registration of the difference in the value of an asset or liability between the adjusted cost of its acquisition and its valuation at an end-of-period market price, when the latter is higher than the former in case of assets, and when the latter is lower than the former in case of liabilities. They include differences in both price quotation and/or market exchange rates.

A *reverse sale and repurchase agreement* (reverse repo) is a contract under which a holder of cash agrees to the purchase of an asset and, simultaneously, agrees to re-sell the asset for an agreed price on demand, or after a stated time, or in the event of a particular contingency. Sometimes a repo transaction is agreed via a third party (triparty repo).

Reverse transaction shall mean an operation whereby the central bank buys (reverse repo) or sells (repo) assets under a repurchase agreement or conducts credit operations against collateral.

Settlement shall mean an act that discharges obligations in respect of funds or assets transfers between two or more parties. In the context of intra-Eurosystem transactions, settlement refers to the elimination of the net balances arising from intra-Eurosystem transactions and requires the transfer of assets.

Settlement date shall mean the date on which the final and irrevocable transfer of value has been recorded in the books of the relevant settlement institution. The timing of the settlement can be immediate (real-time), same day (end-of-day) or an agreed date after the date on which the commitment has been entered into.

Straight line depreciation/amortisation shall mean that depreciation/amortisation over a given period is determined by dividing the cost of the asset, less its estimated residual value, by the estimated useful life of the asset *pro rata temporis*.

TARGET shall mean the Trans-European Automated Real-time Gross settlement Express Transfer system composed of one Real-Time Gross Settlement system (RTGS system) in each of the NCBs, the EPM and the interlinking.

Transaction costs shall mean costs that are identifiable as related to the specific transaction.

Transaction price shall mean the price agreed between the parties when a contract is made.

Unrealised gains/losses shall mean gains/losses arising from the revaluation of assets compared to their adjusted cost of acquisition.

ANNEX III

DESCRIPTION OF THE ECONOMIC APPROACH

1. Trade date accounting for (i) foreign exchange transactions and (ii) purchases and sales of securities (regular approach)

Transactions are recorded on off-balance sheet accounts on trade date. On settlement date the off-balance sheet booking entries are reversed, and the transactions are booked on balance sheet accounts.

The foreign currency position and/or the securities position is affected on trade date. Consequently, realised gains and losses arising from net sales are also calculated and booked on trade date. Net purchases of foreign currency affect the currency holding's average cost, and purchase of a security affects the average price of that security, at trade date.

2. Daily booking of accrued interest, including premiums or discounts

Interest, premium or discount accrued related to financial instruments denominated in foreign currency is calculated and booked on a daily basis, independently of a real cash flow. This means that the foreign currency position is affected when this accrued interest is booked, as opposed to only when the interest is received or paid ⁽¹⁾.

1 (trade date accounting):

Two different techniques have been defined to implement trade date accounting:

- the 'regular approach'; and
- the 'alternative approach'.

The 'alternative approach' includes the following features: contrary to the 'regular approach', there is no daily off-balance sheet booking of the agreed transactions which are settled at a later date. The recognition of realised income and the calculation of new average costs (in case of foreign exchange purchases) and average prices (in case of securities purchases) is conducted at settlement date ⁽²⁾.

For transactions agreed in one year but maturing in a subsequent year, the income recognition is treated according to the 'regular approach'. This means that realised effects from sales would impact on the profit and loss accounts of the year in which the transaction was agreed and purchases would change the average rates/price of a holding in the year in which the transaction was agreed. However, no off-balance sheet entries are necessary.

The following table shows the main characteristics of the two techniques developed for individual foreign exchange instruments and for securities.

⁽¹⁾ Two possible approaches for the recognition of accruals have been identified. The first approach is the 'calendar day approach' where the accruals are recorded on every calendar day independently of whether a day is a weekend day, a bank holiday or a business day. The second approach is the 'business day approach' in which accruals are only booked on business days. There is no preference regarding the choice of approach. However, if the last day of the year is not a business day it needs to be included in the calculation of accruals in either approach.

⁽²⁾ In the case of foreign exchange forwards transactions the currency holding is affected on the spot date (i.e. usually trade date plus two days).

TRADE DATE ACCOUNTING	
Regular approach	Alternative approach
FX ⁽¹⁾ spot transactions — treatment during the year	
FX purchases are booked off-balance sheet at trade date and affect the average cost of the foreign currency position from this date	FX purchases are booked on the balance sheet at settlement date, affecting the average cost of the foreign currency position from this date
Gains and losses arising from sales are considered as realised at transaction/ trade date. At settlement date, the off-balance sheet entries are reversed, and on balance sheet entries are made	Gains and losses arising from sales are considered as realised at settlement date. At trade date no on balance sheet accounting entry is made
FX forward transactions — treatment during the year	
Treated in the same way as described above for spot transactions, being recorded at the spot rate of the transaction	FX purchases are booked off-balance sheet at the spot date of the transaction, affecting the average cost of the foreign currency position from this date and at the spot rate of the transaction FX sales are booked off-balance sheet at the spot date of the transaction. Gains and losses are considered as realised at the spot date of the transaction At settlement date the off-balance sheet entries are reversed, and on balance sheet entries are made For period end treatment see below under <i>FX spot and forward transactions crossing a period end</i>
FX spot and forward transactions initiated in year 1 with the spot date of the transaction in year 2	
No special arrangement is needed because transactions are booked at trade date, and gains and losses are recognised at that date	Should be treated as in the regular approach ⁽²⁾: — FX sales are booked off-balance sheet in year 1 in order to report the FX realised gains/losses in the financial year in which the transaction was agreed — FX purchased are booked off-balance sheet in year 1 affecting the average cost of the foreign currency position from this date — Year-end revaluation of a currency holding must take into account net purchases/sales with a spot date in the following financial year
Interest rate futures in foreign currencies	
Variation margins denominated in foreign currencies affect the foreign currency position on a daily basis (when they occur). Gains and losses are also considered as realised on a daily basis	Same solution as described in the 'Regular approach' ⁽³⁾
Securities transactions-treatment during the year	
Purchases and sales are recognised off-balance sheet at trade date. Gains and losses are also recognised at this date, and the average cost is affected at trade date. At settlement date the off-balance sheet entries are reversed, and on balance sheet entries are made (i.e. same treatment as FX spot transactions)	All transactions are recorded at settlement date (but see below for treatment at period ends). Consequently the impact on the average cost prices (in the event of purchases) and gains/losses (in the event of sales) is recognised at settlement date

TRADE DATE ACCOUNTING	
Regular approach	Alternative approach
Securities transactions initiated in year 1 with the spot date of the transaction in year 2	
No special treatment required as transactions and consequences are already booked at trade date	Realised gains and losses are recognised in year 1 at the period end (i.e. same treatment as FX spot transactions), and purchases impact on the calculation of the average rate and are included in the year end revaluation process ⁽²⁾

⁽¹⁾ 'FX' stands for foreign exchange.

⁽²⁾ As usual, the principle of materiality could be applied where these transactions have no material impact on the foreign currency position and/or in the profit and loss account.

⁽³⁾ No specific treatment required for transactions crossing a period. The daily booking of variation margins is in line with the economic approach as gains and losses are considered as realised on a daily basis.

2 (daily booking of accrued interest/premiums or discounts):

The table below outlines the impact of the daily booking of accruals on the foreign exchange holding (e.g. interest payable and amortised premium/discounts):

DAILY BOOKING OF ACCRUED INTEREST (AS PART OF THE ECONOMIC APPROACH)
Accruals for FX denominated instruments are calculated and booked daily at the mid-market exchange rate of the day
Impact on the FX holding
Accruals affect the foreign currency position at the time they are booked, not being reversed later on. The accrual is cleared when the actual cash is received or paid. At settlement date there is thus no effect on the foreign currency position, since the accrual is included in the position being revalued at the periodic revaluation

ANNEX IV

COMPOSITION AND VALUATION RULES FOR THE BALANCE SHEET

ASSETS

Balance sheet item ⁽¹⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽²⁾
1.	1.	Gold and gold receivables	Physical gold (i.e. bars, coins, plates, nuggets) in storage or 'under way'. Non-physical gold, such as balances in gold sight accounts (unallocated accounts), term deposits and claims to receive gold arising from the following transactions: upgrading or downgrading transactions and gold location or purity swaps where there is a difference of more than one business day between release and receipt	Market value	Mandatory
2.	2.	Claims on non-euro area residents denominated in foreign currency	Claims on counterparties resident outside the euro area (including international and supranational institutions and central banks outside the euro area) denominated in foreign currency		
2.1.	2.1.	Receivables from the IMF	(a) <i>Drawing rights within the reserve tranche (net)</i> National quota minus balances in euro at the disposal of the IMF. (The No 2 account of the IMF (euro account for administrative expenses) could be included in this position or under the item 'Liabilities to non-euro area residents denominated in euro') (b) <i>Special drawing rights</i> Holdings of special drawing rights (gross) (c) <i>Other claims</i> General arrangements to borrow (GAB), loans under special borrowing arrangements, deposits within the framework of the Poverty Reduction and Growth Facility (PRGF)	(a) <i>Drawing rights within the reserve tranche (net)</i> Nominal value, translation at the foreign exchange market rate (b) <i>Special drawing rights</i> Nominal value, translation at the foreign exchange market rate (c) <i>Other claims</i> Nominal value, translation at the foreign exchange market rate	Mandatory Mandatory Mandatory

Balance sheet item ⁽¹⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽²⁾
2.2.	2.2.	Balances with banks and security investments, external loans and other external assets	(a) <i>Balances with banks outside the euro area</i> Current accounts, fixed-term deposits, day-to-day money, reverse repo transactions (b) <i>Security investments (other than equity shares, participations and other securities under asset item 'Other financial assets') outside the euro area</i> Marketable notes and bonds, bills, zero bonds, money market paper, all issued by non-euro area residents (c) <i>External loans (deposits)</i> Loans to and non-marketable securities (other than equity shares, participations and other securities under asset item 'Other financial assets') issued by non-euro area residents (d) <i>Other external assets</i> Non-euro area banknotes and coins	(a) <i>Balances with banks outside the euro area</i> Nominal value, translation at the foreign exchange market rate (b) <i>Securities (marketable)</i> Market price and foreign exchange rate (c) <i>External loans</i> Deposits at nominal value, non-marketable securities at cost; both translated at market foreign exchange rate (d) <i>Other external assets</i> Nominal value, translation at market Foreign exchange rate	Mandatory Mandatory Mandatory Mandatory
3.	3.	Claims on euro area residents denominated in foreign currency	(a) <i>Securities</i> Marketable notes and bonds, bills, zero bonds, money market paper (other than equity shares, participations and other securities under asset item 'Other financial assets')	(a) <i>Securities (marketable)</i> Market price and foreign exchange market rate	Mandatory

Balance sheet item ⁽¹⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽²⁾
			(b) <i>Other claims</i> Non-marketable securities (other than equity shares, participations and other securities under asset item 'Other financial assets'), loans, deposits, reverse repo transactions, sundry lending	(b) <i>Other claims</i> Deposits at nominal value, non-marketable securities at cost, both translated at the foreign exchange market rate	Mandatory
4.	4.	Claims on non-euro area residents denominated in euro			
4.1.	4.1.	Balances with banks, security investments and loans	(a) <i>Balances with banks outside the euro area</i> Current accounts, fixed-term deposits, day-to-day money. Reverse repo transactions in connection with the management of securities denominated in euro (b) <i>Security investments (other than equity shares, participations and other securities under asset item 'Other financial assets') outside the euro area</i> Marketable notes and bonds, bills, zero bonds, money market paper, all issued by non-euro area residents (c) <i>Loans outside the euro area</i> Loans to and non-marketable securities issued by non-euro area residents (d) <i>Securities issued by entities outside the euro area</i> Securities issued by supranational or international organisations e.g. the EIB, irrespective of their geographical location	(a) <i>Balances with banks outside the euro area</i> Nominal value (b) <i>Marketable securities</i> Market price (c) <i>Loans outside the euro area</i> Deposits at nominal value, non-marketable securities at cost (d) <i>Securities issued by entities outside the euro area</i> Market price	Mandatory Mandatory Mandatory Mandatory

Balance sheet item ⁽¹⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽²⁾
4.2.	4.2.	Claims arising from the credit facility under ERM II	Lending according to the conditions of ERM II	Nominal value	Mandatory
5.	5.	Lending to euro area credit institutions related to monetary policy operations denominated in euro	Items 5.1 to 5.5: transactions according to the respective monetary policy instruments described in the document 'The single monetary policy in the euro area: General documentation on Eurosystem monetary policy instruments and procedures'		
5.1.	5.1.	Main refinancing operations	Regular liquidity-providing reverse transactions with a weekly frequency and normally a maturity of two weeks	Nominal value or (repo) cost	Mandatory
5.2.	5.2.	Longer-term refinancing operations	Regular liquidity-providing reverse transactions with a monthly frequency and normally a maturity of three months	Nominal value or (repo) cost	Mandatory
5.3.	5.3.	Fine-tuning reverse operations	Reverse transactions, executed as ad hoc transactions for fine-tuning purposes	Nominal value or (repo) cost	Mandatory
5.4.	5.4.	Structural reverse operations	Reverse transactions aiming at adjusting the structural position of the Eurosystem vis-à-vis the financial sector	Nominal value or (repo) cost	Mandatory
5.5.	5.5.	Marginal lending facility	Overnight liquidity facility at a pre-specified interest rate against eligible assets (standing facility)	Nominal value or (repo) cost	Mandatory

Balance sheet item ⁽¹⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽²⁾
5.6.	5.6.	Credits related to margin calls	Additional credit to credit institutions, arising from value increases of underlying assets regarding other credit to these credit institutions	Nominal value or cost	Mandatory
6.	6.	Other claims on euro area credit institutions denominated in euro	Current accounts, fixed-term deposits, day-to-day money, reverse repo transactions in connection with the management of security portfolios under the asset item 'Securities of euro area residents denominated in euro' (including transactions resulting from the transformation of former foreign currency reserves of the euro area) and other claims. Correspondent accounts with non-domestic euro area credit institutions. Other claims and operations unrelated to monetary policy operations of the Eurosystem. Any claims stemming from monetary policy operations initiated by an NCB prior to joining the Eurosystem	Nominal value or cost	Mandatory
7.	7.	Securities of euro area residents denominated in euro	Marketable securities (related to or eligible to be used for monetary policy purposes, other than equity shares, participations and other securities under asset item 'Other financial assets'): notes and bonds, bills, zero bonds, money market paper held outright (including government securities stemming from before EMU) denominated in euro; ECB debt certificates purchased for fine-tuning purposes	Market price	Mandatory
8.	8.	General government debt denominated in euro	Claims on government stemming from before EMU (non-marketable securities, loans)	Deposits/loans at nominal value, non-marketable securities at cost	Mandatory
—	9.	Intra-Euro-system claims⁺			
—	9.1.	Participating interest in ECB⁺	Only an NCB balance sheet item The ECB capital share of each NCB according to the Treaty and the respective capital key and contributions according to Article 49.2 of the Statute	Cost	Mandatory

Balance sheet item ⁽¹⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽²⁾
—	9.2.	Claims equivalent to the transfer of foreign reserves⁺	Only an NCB balance sheet item Euro-denominated claims on the ECB in respect of initial (and additional) transfers of foreign reserves under the Treaty provisions	Nominal value (less waiver)	Mandatory
—	9.3.	Claims related to promissory notes backing the issuance of ECB debt certificates⁺	Only an ECB balance sheet item. Promissory notes issued by NCBs, due to the back-to-back agreement in connection with ECB debt certificates	Nominal value	Mandatory
—	9.4.	Net claims related to the allocation of euro banknotes within the Eurosystem⁺ *	For the NCBs: net claim related to the application of the banknote allocation key (i.e. including the ECB's banknote issue related intra-Eurosystem balances), the compensatory amount and its balancing accounting entry as defined by Decision ECB/2001/16 on the allocation of monetary income of the NCBs of participating Member States from the financial year 2002. For the ECB: claim related to the ECB's banknote issue under Decision ECB/2001/15 of 6 December 2001 ⁽³⁾ on the issue of euro banknotes	Nominal value	Mandatory
—	9.5.	Other claims within the Eurosystem (net)⁺	(a) Net claims arising from balances of TARGET accounts and correspondent accounts of NCBs i.e. the net figure of claims and liabilities (see also liability item 'Other liabilities within the Eurosystem (net)') (b) Claim due to the difference between monetary income to be pooled and redistributed. Only relevant for the period between booking of monetary income as part of the year-end procedures, and its settlement at the last working day in January each year	(a) Nominal value (b) Nominal value	Mandatory Mandatory

Balance sheet item ⁽¹⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽²⁾
			(c) Other intra-Eurosystem claims that may arise, including the interim distribution of ECB income on euro banknotes to NCBs *	(c) Nominal value	Mandatory
9.	10.	Items in course of settlement	Settlement account balances (claims), including the float of cheques in collection	Nominal value	Mandatory
9.	11.	Other assets			
9.	11.1.	Coins of euro area	Euro coins if an NCB is not the legal issuer	Nominal value	Mandatory
9.	11.2.	Tangible and intangible fixed assets	Land and buildings, furniture and equipment (including computer equipment), software	Cost less depreciation Depreciation rates: — computers and related hardware/software and motor vehicles: 4 years — equipment, furniture and plant in building: 10 years — building and capitalised (major) refurbishment expenditure: 25 years Capitalisation of expenditure: limit based (below EUR 10 000 excluding VAT: no capitalisation)	Recommended
9.	11.3.	Other financial assets	Equity instruments, participating interests and investments in subsidiaries. Investment portfolios related to pension funds and severance schemes. Securities held owing to statutory requirements and investment activities for a specific purpose, carried out by NCBs on their own account such as the management of an earmarked portfolio corresponding to capital and reserves and the management of an earmarked portfolio held as a permanent investment (financial fixed assets). Reverse repo transactions with credit institutions in connection with the management of security portfolios under this item	(a) <i>Marketable equity instruments</i> Market value (b) <i>Participating interests and illiquid equity shares</i> Cost (c) <i>Investment in subsidiaries or significant interests</i> Net asset value (d) <i>Securities (marketable)</i> Market value	Recommended Recommended Recommended Recommended

Balance sheet item ⁽¹⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽²⁾
				(e) <i>Non-marketable securities</i> Cost (f) <i>Financial fixed assets</i> Cost Premiums/discounts are amortised. For equity instruments, the detailed rules are set out in Article 9 of this Guideline	Recommended Recommended
9.	11.4.	Off-balance sheet instruments revaluation differences	Valuation results of foreign exchange forwards, foreign exchange swaps, interest rate futures, financial swaps, forward rate agreements	Net position between forward and spot, at foreign exchange market rate	Mandatory
9.	11.5.	Accruals and prepaid expenditure	Income not due in, but assignable to the reported period. Prepaid expenditure and accrued interest paid ⁽⁴⁾	Nominal value, foreign exchange translated at market rate	Mandatory
9.	11.6.	Sundry	Advances, loans, other minor items. Revaluation suspense accounts (only balance sheet item during the year: unrealised losses at revaluation dates during the year, which are not covered by the respective revaluation accounts under the liability item 'Revaluation accounts'). Loans on a trust basis. Investments related to customer gold deposits. Coins denominated in national (euro area) currency units	Nominal value/cost <i>Revaluation suspense accounts</i> Revaluation difference between average cost and market value, foreign exchange translated at market rate <i>Investments related to customer gold deposits</i> Market value	Recommended <i>Revaluation suspense accounts:</i> mandatory <i>Investments related to customer gold deposits:</i> mandatory
—	12.	Loss for the year		Nominal value	Mandatory

* Item to be harmonised. See recital 5 of this guideline.

⁽¹⁾ The numbering in the first column relates to the balance sheet formats given in Annexes VI, VII and VIII (weekly financial statements and consolidated annual balance sheet of the Eurosystem). The numbering in the second column relates to the balance sheet format given in Annex IX (annual balance sheet of a central bank). The items marked with a '+' are consolidated in the weekly financial statements of the Eurosystem.

⁽²⁾ The accounting principles listed in this Annex are considered mandatory for the accounts of the ECB and for all material assets and liabilities in NCBs' accounts for Eurosystem purposes (i.e. material to the operation of the Eurosystem).

⁽³⁾ OJ L 337, 20.12.2001, p. 52.

⁽⁴⁾ i.e. accrued interest purchased with a security.

LIABILITIES

Balance sheet item ⁽¹⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽²⁾
1.	1.	Banknotes in circulation	Euro banknotes, plus/minus adjustments relating to the application of the banknote allocation key	Nominal value	Mandatory
2.	2.	Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	Items 2.1, 2.2, 2.3 and 2.5: deposits in euro as described in the document 'The single monetary policy in the euro area: General documentation on Eurosystem monetary policy instruments and procedures'		
2.1.	2.1.	Current accounts (covering the minimum reserve system)	Euro accounts of credit institutions that are included in the list of financial institutions subject to minimum reserves according to the Statute. This item contains primarily accounts used in order to hold minimum reserves	Nominal value	Mandatory
2.2.	2.2.	Deposit facility	Overnight deposits at a pre-specified interest rate (standing facility)	Nominal value	Mandatory
2.3.	2.3.	Fixed-term deposits	Collection for liquidity absorption purposes owing to fine-tuning operations	Nominal value	Mandatory
2.4.	2.4.	Fine-tuning reverse operations	Monetary policy-related transactions with the aim of liquidity absorption	Nominal value or (repo) cost	Mandatory
2.5.	2.5.	Deposits related to margin calls	Deposits of credit institutions, arising from value decreases of underlying assets regarding credits to these credit institutions.	Nominal value	Mandatory
3.	3.	Other liabilities to euro area credit institutions denominated in euro	Repo transactions in connection with simultaneous reverse repo transactions for the management of security portfolios under the asset item 'Securities of euro area residents denominated in euro'. Other operations unrelated to Eurosystem monetary policy operations. No current accounts of credit institutions	Nominal value or (repo) cost	Mandatory

Balance sheet item ⁽¹⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽²⁾
4.	4.	Debt certificates issued	Only an ECB balance sheet item (for the NCBs a transitional balance sheet item). Debt certificates as described in the document 'The single monetary policy in the euro area: General documentation on Eurosystem monetary policy instruments and procedures'. Discount paper, issued with the aim of liquidity absorption	Nominal value	Mandatory
5.	5.	Liabilities to other euro area residents denominated in euro			
5.1.	5.1.	General government	Current accounts, fixed-term deposits, deposits repayable on demand	Nominal value	Mandatory
5.2.	5.2.	Other liabilities	Current accounts of staff, companies and clients (including financial institutions listed as exempt from the obligation to hold minimum reserves – see liability item 2.1), etc.; fixed-term deposits, deposits repayable on demand	Nominal value	Mandatory
6.	6.	Liabilities to non-euro area residents denominated in euro	Current accounts, fixed-term deposits, deposits repayable on demand (including accounts held for payment purposes and accounts held for reserve management purposes); of other banks, central banks, international/ supranational institutions (including the Commission of the European Communities); current accounts of other depositors. Repo transactions in connection with simultaneous reverse repo transactions for the management of securities denominated in euro. Balances of TARGET accounts of non-participating NCBs	Nominal value or (repo) cost	Mandatory
7.	7.	Liabilities to euro area residents denominated in foreign currency	Current accounts, liabilities under repo transactions; usually investment transactions using foreign currency assets or gold	Nominal value, translation at foreign exchange market rate	Mandatory
8.	8.	Liabilities to non-euro area residents denominated in foreign currency			

Balance sheet item ⁽¹⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽²⁾
8.1.	8.1.	Deposits, balances and other liabilities	Current accounts. Liabilities under repo transactions; usually investment transactions using foreign currency assets or gold	Nominal value, translation at foreign exchange market rate	Mandatory
8.2.	8.2.	Liabilities arising from the credit facility under ERM II	Borrowing according to the conditions of ERM II	Nominal value, translation at the foreign exchange market rate	Mandatory
9.	9.	Counterpart of special drawing rights allocated by the IMF	SDR-denominated item which shows the amount of SDRs that were originally allocated to the respective country/NCB	Nominal value, translation at the market rate	Mandatory
—	10.	Intra-Eurosystem liabilities⁺			
—	10.1.	Liabilities equivalent to the transfer of foreign reserves⁺	Only an ECB balance sheet item (denominated in euro)	Nominal value	Mandatory
—	10.2.	Liabilities related to promissory notes backing the issuance of ECB debt certificates⁺	Only an NCB balance sheet item. Promissory notes issued to the ECB, due to the back-to-back-agreement in connection with ECB debt certificates	Nominal value	Mandatory
—	10.3.	Net liabilities related to allocation of euro banknotes within the Eurosystem^{+ *}	Only an NCB balance sheet item. For the NCBs: net liability related to the application of the banknote allocation key i.e. including the ECB's banknote issue related intra-Eurosystem balances, the compensatory amount and its balancing accounting entry as defined by Decision ECB/2001/16 on the allocation of monetary income of the NCBs of participating Member States from the financial year 2002 ⁽³⁾	Nominal value	Mandatory

Balance sheet item ⁽¹⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽²⁾
—	10.4.	Other liabilities within the Eurosystem (net)⁺	(a) Net liabilities arising from balances of TARGET accounts and correspondent accounts of NCBs i.e. the net figure of claims and liabilities (see also asset item 'Other claims within the Eurosystem (net)')	(a) Nominal value	Mandatory
			(b) Liability due to the difference between monetary income to be pooled and redistributed. Only relevant for the period between booking of monetary income as part of the year-end procedures, and its settlement at the last working day in January each year	(b) Nominal value	Mandatory
			(c) Other intra-Eurosystem liabilities that may arise, including the interim distribution of ECB income on euro banknotes to NCBs *	(c) Nominal value	Mandatory
10.	11.	Items in course of settlement	Settlement account balances (liabilities), including the float of giro transfers	Nominal value	Mandatory
10.	12.	Other liabilities			
10.	12.1.	Off-balance sheet instruments revaluation differences	Valuation results of foreign exchange forwards, foreign exchange swaps, interest rate futures, financial swaps, forward rate agreements	Net position between forward and spot, at foreign exchange market rate	Mandatory
10.	12.2.	Accruals and income collected in advance	Expenditure falling due in a future period but relating to the reporting period. Income received in the reported period but relating to a future period	Nominal value, foreign exchange translated at market rate	Mandatory

Balance sheet item ⁽¹⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽²⁾
10.	12.3.	Sundry	Taxation (suspense) accounts. (Foreign currency) credit or guarantee cover accounts. Repo transactions with credit institutions in connection with simultaneous reverse repo transactions for the management of security portfolios under asset item 'Other financial assets'. Compulsory deposits other than reserve deposits. Other minor items. Current income (net accumulated profit), profit of the previous year (before distribution). Liabilities on a trust basis. Customer gold deposits. Coins in circulation in the event that an NCB is the legal issuer. Banknotes in circulation denominated in national (euro area) currency units that have ceased to be legal tender but are still in circulation, if not shown under liability item 'Provisions'	Nominal value or (repo) cost <i>Customer gold deposits</i> Market value	Recommended <i>Customer gold deposits:</i> mandatory
10.	13.	Provisions	For pensions, for exchange and price risks, and for other purposes (e.g. expected (future) expenses), provisions for national (euro area) currency units that have ceased to be legal tender but are still in circulation if these banknotes not shown under liability item 'Other liabilities/Sundry'. The contributions from NCBs according to Article 49.2 of the Statute to the ECB are consolidated with the respective amounts disclosed under asset item 9.1 ⁺	Cost/nominal value	Recommended
11.	14.	Revaluation accounts	Revaluation accounts related to price movements (for gold, for every type of euro-denominated security, for every type of foreign currency-denominated security, market valuation differences related to interest rate risk derivatives); revaluation accounts related to foreign exchange rate movements (for every currency net position held, including foreign exchange swaps/forwards and SDRs). The contributions from NCBs according to Article 49.2 of the Statute to the ECB are consolidated with the respective amounts disclosed under asset item 9.1 ⁺	Revaluation difference between average cost and market value, foreign exchange translated at market rate	Mandatory

Balance sheet item ⁽¹⁾			Categorisation of contents of balance sheet items	Valuation principle	Scope of application ⁽²⁾
12.	15.	Capital and reserves			
12.	15.1.	Capital	Paid-up capital. (The capital of the ECB is consolidated with the capital shares of the participating NCBs)	Nominal value	Mandatory
12.	15.2.	Reserves	Legal reserves and other reserves. The contributions from NCBs according to Article 49.2 of the Statute to the ECB are consolidated with the respective amounts disclosed under asset item 9.1 ⁺ .	Nominal value	Mandatory
10.	16.	Profit for the year		Nominal value	Mandatory

* Item to be harmonised. See recital 5 of this guideline.

⁽¹⁾ The numbering in the first column relates to the balance sheet formats given in Annexes VI, VII and VIII (weekly financial statements and consolidated annual balance sheet of the Eurosystem). The numbering in the second column relates to the balance sheet format given in Annex IX (annual balance sheet of a central bank). The items marked with a '+' are consolidated in the weekly financial statements of the Eurosystem.

⁽²⁾ The accounting principles listed in this Annex are considered mandatory for the accounts of the ECB and for all material assets and liabilities in NCBs' accounts for Eurosystem purposes (i.e. material to the operation of the Eurosystem).

⁽³⁾ OJ L 337, 20.12.2001, p. 55.

ANNEX V

Consolidated weekly financial statement of the Eurosystem: format to be used for publication after quarter-end

		(EUR millions)			
Assets	Balance as at ...	Difference compared to last week due to:		Balance as at ...	Liabilities
		transactions	revaluations		
1 Gold and gold receivables					1 Banknotes in circulation
2 Claims on non-euro area residents denominated in foreign currency					2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro
2.1 Receivables from the IMF					2.1 Current accounts (covering the minimum reserve system)
2.2 Balances with banks and security investments, external loans and other external assets					2.2 Deposit facility
3 Claims on euro area residents denominated in foreign currency					2.3 Fixed-term deposits
4 Claims on non-euro area residents denominated in euro					2.4 Fine-tuning reverse operations
4.1 Balances with banks, security investments and loans					2.5 Deposits related to margin calls
4.2 Claims arising from the credit facility under ERM II					3 Other liabilities to euro area credit institutions denominated in euro
5 Lending to euro area credit institutions related to monetary policy operations denominated in euro					4 Debt certificates issued
5.1 Main refinancing operations					5 Liabilities to other euro area residents denominated in euro
5.2 Longer-term refinancing operations					5.1 General government
5.3 Fine-tuning reverse operations					5.2 Other liabilities
5.4 Structural reverse operations					6 Liabilities to non-euro area residents denominated in euro
5.5 Marginal lending facility					7 Liabilities to euro area residents denominated in foreign currency
5.6 Credits related to margin calls					8 Liabilities to non-euro area residents denominated in foreign currency
6 Other claims on euro area credit institutions denominated in euro					8.1 Deposits, balances and other liabilities
7 Securities of euro area residents denominated in euro					8.2 Deposits, balances and other liabilities
8 General government debt denominated in euro					9 Counterpart of special drawing rights allocated by the IMF
9 Other assets					10 Other liabilities
					11 Revaluation accounts
					12 Capital and reserves
Total assets					Total liabilities

Totals/sub-totals may not add up, due to rounding.

ANNEX VI

Consolidated weekly financial statement of the Eurosystem: format to be used for publication during the quarter

		(EUR millions)		
Assets	Balance as at ...	Difference compared to last week due to transactions	Liabilities	Balance as at ...
				Difference compared to last week due to transactions
1. Gold and gold receivables			1. Banknotes in circulation	
2. Claims on non-euro area residents denominated in foreign currency			2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	
2.1. Receivables from the IMF			2.1. Current accounts (covering the minimum reserve system)	
2.2. Balances with banks and security investments, external loans and other external assets			2.2. Deposit facility	
3. Claims on euro area residents denominated in foreign currency			2.3. Fixed-term deposits	
4. Claims on non-euro area residents denominated in euro			2.4. Fine-tuning reverse operations	
4.1. Balances with banks, security investments and loans			2.5. Deposits related to margin calls	
4.2. Claims arising from the credit facility under ERM II			3. Other liabilities to euro area credit institutions denominated in euro	
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro			4. Debt certificates issued	
5.1. Main refinancing operations			5. Liabilities to other euro area residents denominated in euro	
5.2. Longer-term refinancing operations			5.1. General government	
5.3. Fine-tuning reverse operations			5.2. Other liabilities	
5.4. Structural reverse operations			6. Liabilities to non-euro area residents denominated in euro	
5.5. Marginal lending facility			7. Liabilities to euro area residents denominated in foreign currency	
5.6. Credits related to margin calls			8. Liabilities to non-euro area residents denominated in foreign currency	
6. Other claims on euro area credit institutions denominated in euro			8.1. Deposits, balances and other liabilities	
7. Securities of euro area residents denominated in euro			8.2. Liabilities arising from the credit facility under ERM II	
8. General government debt denominated in euro			9. Counterpart of special drawing rights allocated by the IMF	
9. Other assets			10. Other liabilities	
			11. Revaluation accounts	
			12. Capital and reserves	
Total assets			Total liabilities	
Totals/sub-totals may not add up, due to rounding.				

ANNEX VII

Consolidated annual balance sheet of the Eurosystem

		(EUR millions)	
Assets	Liabilities	Reporting year	Previous year
1. Gold and gold receivables 2. Claims on non-euro area residents denominated in foreign currency 2.1. Receivables from the IMF 2.2. Balances with banks and security investments, external loans and other external assets 3. Claims on euro area residents denominated in foreign currency 4. Claims on non-euro area residents denominated in euro 4.1. Balances with banks, security investments and loans 4.2. Claims arising from the credit facility under ERM II 5. Lending to euro area credit institutions related to monetary policy operations denominated in euro 5.1. Main refinancing operations 5.2. Longer-term refinancing operations 5.3. Fine-tuning reverse operations 5.4. Structural reverse operations 5.5. Marginal lending facility 5.6. Credits related to margin calls 6. Other claims on euro area credit institutions denominated in euro 7. Securities of euro area residents denominated in euro 8. General government debt denominated in euro 9. Other assets	1. Banknotes in circulation 2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro 2.1. Current accounts (covering the minimum reserve system) 2.2. Deposit facility 2.3. Fixed-term deposits 2.4. Fine-tuning reverse operations 2.5. Deposits related to margin calls 3. Other liabilities to euro area credit institutions denominated in euro 4. Debt certificates issued 5. Liabilities to other euro area residents denominated in euro 5.1. General government 5.2. Other liabilities 6. Liabilities to non-euro area residents denominated in euro 7. Liabilities to euro area residents denominated in foreign currency 8. Liabilities to non-euro area residents denominated in foreign currency 8.1. Deposits, balances and other liabilities 8.2. Liabilities arising from the credit facility under ERM II 9. Counterpart of special drawing rights allocated by the IMF 10. Other liabilities 11. Revaluation accounts 12. Capital and reserves		
Total assets	Total liabilities		

Totals/sub-totals may not add up, due to rounding.

ANNEX VIII

Annual balance sheet of a central bank

		(EUR millions) (1)	
Assets		Reporting year	Previous year
1. Gold and gold receivables			
2. Claims on non-euro area residents denominated in foreign currency			
2.1. Receivables from the IMF			
2.2. Balances with banks and security investments, external loans and other external assets			
3. Claims on euro area residents denominated in foreign currency			
4. Claims on non-euro area residents denominated in euro			
4.1. Balances with banks, security investments and loans			
4.2. Claims arising from the credit facility under ERM II			
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro			
5.1. Main refinancing operations			
5.2. Longer-term refinancing operations			
5.3. Fine-tuning reverse operations			
5.4. Structural reverse operations			
5.5. Marginal lending facility			
5.6. Credits related to margin calls			
6. Other claims on euro area credit institutions denominated in euro			
7. Securities of euro area residents denominated in euro			
8. General government debt denominated in euro			
	Liabilities	Reporting year	Previous year
	1. Banknotes in circulation *		
	2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro		
	2.1. Current accounts (covering the minimum reserve system)		
	2.2. Deposit facility		
	2.3. Fixed-term deposits		
	2.4. Fine-tuning reverse operations		
	2.5. Deposits related to margin calls		
	3. Other liabilities to euro area credit institutions denominated in euro		
	4. Debt certificates issued		
	5. Liabilities to other euro area residents denominated in euro		
	5.1. General government		
	5.2. Other liabilities		
	6. Liabilities to non-euro area residents denominated in euro		
	7. Liabilities to euro area residents denominated in foreign currency		
	8. Liabilities to non-euro area residents denominated in foreign currency		
	8.1. Deposits, balances and other liabilities		
	8.2. Liabilities arising from the credit facility under ERM II		
	9. Counterpart of special drawing rights allocated by the IMF		

(EUR millions) ⁽¹⁾			
Assets	Liabilities	Reporting year	Previous year
9. Intra-Eurosystem claims 9.1. Participating interest in ECB 9.2. Claims equivalent to the transfer of foreign reserves 9.3. Claims related to promissory notes backing the issuance of ECB debt certificates 9.4. Net claims related to the allocation of euro banknotes within the Eurosystem * 9.5. Other claims within the Eurosystem (net) * 10. Items in course of settlement 11. Other assets 11.1. Coins of euro area 11.2. Tangible and intangible fixed assets 11.3. Other financial assets 11.4. Off-balance sheet instruments revaluation differences 11.5. Accruals and prepaid expenses * 11.6. Sundry 12. Loss for the year Total assets	10. Intra-Eurosystem liabilities 10.1. Liabilities equivalent to the transfer of foreign reserves 10.2. Liabilities related to promissory notes backing the issuance of ECB debt certificates 10.3. Net liabilities related to the allocation of euro banknotes within the Eurosystem * 10.4. Other liabilities within the Eurosystem (net) * 11. Items in course of settlement 12. Other liabilities 12.1. Off-balance sheet instruments revaluation differences 12.2. Accruals and income collected in advance * 12.3. Sundry 13. Provisions 14. Revaluation accounts 15. Capital and reserves 15.1. Capital 15.2. Reserves 16. Profit for the year Total liabilities		

* Item to be harmonised. See recital 5 of this guideline.

⁽¹⁾ Central banks may alternatively publish exact euro amounts, or amounts rounded in a different manner.

ANNEX IX

Published profit and loss account of a central bank ⁽¹⁾(EUR million) ⁽²⁾

Profit and loss account for the year ending 31 December ...	Reporting year	Previous year
1.1. Interest income *		
1.2. Interest expense *		
1. Net interest income		
2.1. Realised gains/losses arising from financial operations		
2.2. Write-downs on financial assets and positions		
2.3. Transfer to/from provisions for foreign exchange rate and price risks		
2. Net result of financial operations, write-downs and risk provisions		
3.1. Fees and commissions income		
3.2. Fees and commissions expense		
3. Net income from fees and commissions		
4. Income from equity shares and participating interests		
5. Net result of pooling of monetary income *		
6. Other income		
Total net income		
7. Staff costs ⁽³⁾		
8. Administrative expenses ⁽³⁾		
9. Depreciation of tangible and intangible fixed assets		
10. Banknote production services ⁽⁴⁾		
11. Other expenses		
12. Income tax and other government charges on income		
(Loss)/profit for the year		

* Item to be harmonised. See recital 5 of this guideline.

⁽¹⁾ The profit and loss account of the ECB takes a slightly different format, see Annex IV of Decision ECB/2002/11 of 5 December 2002 (See page 18 of this Official Journal).

⁽²⁾ Central banks may alternatively publish exact euro amounts, or amounts rounded in a different manner.

⁽³⁾ Including administrative provisions.

⁽⁴⁾ This item shall be used in case of outsourced banknote production (for the cost of the services provided by external companies in charge of the production of banknotes on behalf of the central banks). It is recommended that the costs incurred in connection with the issue of both national banknotes and euro banknotes should be taken to the profit and loss account as they are invoiced or otherwise incurred.

DECISION OF THE EUROPEAN CENTRAL BANK
of 5 December 2002
on the annual accounts of the European Central Bank
(ECB/2002/11)
(2003/132/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, and in particular to Article 26.2 thereof,

Whereas:

- (1) According to Article 26.2 of the Statute, the Governing Council of the European Central Bank (ECB) establishes the accounting principles for the annual accounts of the ECB.
- (2) Under the transitory rules of Decision ECB/2000/16 of 1 December 1998 on the annual accounts of the European Central Bank as amended on 15 December 1999 and 12 December 2000 ⁽¹⁾ all assets and liabilities as at the close of business on 31 December 1998 had to be revalued on 1 January 1999. The market prices and rates applied by the ECB in the opening balance sheet on 1 January 1999 were the new average cost at the start of the transitional period.
- (3) Due regard has been given to the preparatory work conducted by the European Monetary Institute (EMI).
- (4) The content of Decision ECB/2000/16 will now be significantly amended. It is desirable for reasons of clarity to recast it in one single text.
- (5) The ECB attaches great importance to enhancing the transparency of the regulatory framework of the European System of Central Banks (ESCB) even in the absence of an obligation to do so under the Treaty establishing the European Community. The ECB has therefore decided to publish this Decision,

— ‘International Accounting Standards’ shall mean International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related Interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations, future standards and related interpretations issued or adopted by the International Accounting Standards Board (IASB),

— ‘national central banks’ (NCBs) shall mean the NCBs of participating Member States,

— ‘participating Member States’ shall mean Member States which have adopted the euro in accordance with the Treaty establishing the European Community,

— ‘non-participating Member States’ shall mean Member States which have not adopted the euro in accordance with the Treaty,

— ‘Eurosystem’ shall mean the NCBs and the ECB.

2. Further definitions of technical terms used in this Decision are included in the glossary attached as Annex I.

Article 2

Scope of application

The rules set out in this Decision shall apply to the annual accounts of the ECB comprising the balance sheet, items recorded in the books of the ECB off-balance sheet, the profit and loss account and the notes to the annual accounts of the ECB.

Article 3

Basic accounting assumptions

The following basic accounting assumptions shall apply:

HAS DECIDED AS FOLLOWS:

CHAPTER I

GENERAL PROVISIONS

Article 1

Definitions

1. For the purposes of this Decision:

— ‘transitional period’ shall mean the period beginning on 1 January 1999 and ending on 31 December 2001,

⁽¹⁾ OJ L 33, 2.2.2001, p. 1.

(a) economic reality and transparency: the accounting methods and financial reporting shall reflect economic reality, shall be transparent and shall respect the qualitative characteristics of understandability, relevance, reliability and comparability. Transactions shall be accounted for and presented in accordance with their substance and economic reality and not merely with their legal form;

(b) prudence: the valuation of assets and liabilities and income recognition shall be carried out prudently. In the context of this Decision, this implies that unrealised gains are not recognised as income in the profit and loss account, but are transferred directly to a revaluation account. However, prudence does not allow the creation of hidden reserves or the deliberate misstatement of items on the balance sheet and in the profit and loss account;

(c) post-balance sheet-events: assets and liabilities shall be adjusted for events that occur between the annual balance sheet date and the date on which the financial statements are approved by the relevant bodies if they affect the condition of assets or liabilities at the balance sheet date. No adjustment shall be made for assets and liabilities, but disclosure shall be made of those events occurring after the balance sheet date that do not affect the condition of assets and liabilities at the balance sheet date, but which are of such importance that non-disclosure would affect the ability of the users of the financial statements to make proper evaluations and decisions;

(d) materiality: deviations from the accounting rules, including those affecting the calculation of the profit and loss account of the ECB, shall not be allowed unless they can reasonably be judged to be immaterial in the overall context and presentation of the financial accounts of the reporting institution;

(e) going concern basis: accounts shall be prepared on a going concern basis;

(f) the accruals principle: income and expenses shall be recognised in the accounting period in which they are earned or incurred and not according to the period in which they are received or paid;

(g) consistency and comparability: the criteria for balance sheet valuation and income recognition shall be applied consistently in terms of commonality and continuity of approach to ensure comparability of data in the financial statements.

Article 4

Recognition of assets and liabilities

A financial or other asset/liability shall only be recognised in the balance sheet of the reporting entity when:

- (a) it is probable that any future economic benefit associated with the asset or liability item will flow to or from the reporting entity;
- (b) substantially all of the risks and rewards associated with the asset or liability have been transferred to the reporting entity; and
- (c) the cost or value of the asset to the reporting entity or the amount of the obligation can be measured reliably.

Article 5

Cash/settlement approach

The cash or 'settlement' approach shall be used as the basis for recording data in the accounting system of the ECB, without prejudice to the application of Article 5 of Guideline ECB/2002/10 of 5 December 2002 on the legal framework for accounting and financial reporting in the ESCB.

CHAPTER II

COMPOSITION AND VALUATION RULES FOR THE BALANCE SHEET

Article 6

Composition of the balance sheet

The composition of the balance sheet shall be based on the structure established in Annex II.

Article 7

Balance sheet valuation rules

1. Current market rates and prices shall be used for balance sheet valuation purposes unless specified otherwise in Annex II.

2. The revaluation of gold, foreign currency instruments, securities and financial instruments (on-balance-sheet and off-balance-sheet) shall be performed at the year-end at mid-market rates and prices.

3. No distinction shall be made between price and currency revaluation differences for gold, but a single gold revaluation difference shall be accounted for, based on the euro price per defined unit of weight of gold derived from the EUR/USD exchange rate on the revaluation date. Revaluation shall take place on a currency-by-currency basis for foreign exchange (including on-balance-sheet and off-balance-sheet transactions) and on a code-by-code basis (same ISIN number/type) for securities, except for those securities included in the item 'Other financial assets', which shall be treated as separate holdings.

Article 8

Repurchase agreements

1. A reverse transaction conducted under a repurchase agreement shall be recorded as a collateralised inward deposit on the liabilities side of the balance sheet, while the item that has been given as collateral remains on the assets side of the balance sheet. Securities sold which are to be repurchased under repurchase agreements shall be treated by the ECB, which is required to repurchase them, as if the assets in question were still part of the portfolio from which they were sold.

2. A reverse transaction conducted under a reverse repurchase agreement shall be recorded as a collateralised outward loan on the assets side of the balance sheet for the amount of the loan. Securities acquired under reverse repurchase agreements shall not be revalued and no profit or loss arising thereon shall be taken to the profit and loss account by the party lending the funds.

3. Reverse transactions involving securities denominated in foreign currencies shall have no effect on the average cost of the currency position.

4. In the case of security lending transactions, the securities shall remain on the balance sheet of the transferor. Such transactions shall be accounted for in the same manner as that prescribed for repurchase operations. If, however, securities borrowed by the ECB acting as the transferee are not kept in its the depot at the year-end, the ECB shall establish a provision for losses if the market value of the underlying securities has risen since the contract date of the lending transaction and to show a liability (retransfer of the securities) if the securities have been sold in the meantime by the transferee.

5. Collateralised gold transactions shall be treated as repurchase agreements. The gold flows relating to these collateralised transactions shall not be recorded in the financial statements and the difference between the spot and forward prices of the transaction shall be treated on an accruals basis.

6. Reverse transactions, including security lending transactions, conducted under an automated security lending programme shall be recorded with effect on the balance sheet for such transactions only where collateral is provided in the form of cash over the complete maturity of the operation.

Article 9

Marketable equity instruments

1. This Article shall apply to marketable equity instruments (equity shares or equity funds), whether the transactions are conducted directly by the ECB or by an agent acting for the ECB, with the exception of activities conducted for the ECB's pension funds, participating interests, investments in subsidiaries, significant interests or financial fixed assets.

2. Equity instruments denominated in foreign currencies shall not form part of the overall currency position but shall be part of a separate currency holding. The calculation of the related foreign exchange gains and losses can be performed either on a net average cost method or on an average cost method.

3. Equity instruments shall be treated as follows:

(a) the revaluation of equity portfolios shall be performed in accordance with Article 7(2). Revaluation shall take place on an item-by-item basis. For equity funds, the price revaluation shall be performed on a net basis, and not on an individual share-by-share basis. There shall be no netting between different equity shares or between different equity funds;

(b) transactions shall be recorded in the balance sheet at transaction price;

(c) brokerage commission shall be recorded either as a transaction cost to be included in the cost of the asset or as expense in the profit and loss account;

(d) the amount of the dividend purchased shall be included in the cost of the equity instrument. At ex-dividend date, while the payment of the dividend has not yet been received, the amount of the dividend purchased may be treated as a separate item;

(e) accruals on dividends shall not be booked at period-end as they are already reflected in the market price of the equity instruments with the exception of equities quoted ex-dividend;

(f) rights issues shall be treated as a separate asset when issued. The acquisition cost shall be calculated based on the old average cost of the equities, on the strike price of the new one, and on the proportion between old and new equities. Alternatively, the price of the right may be based on the value of the right in the market, the old average

cost of equity and the market price of equity before the right issue. They shall be treated in line with Eurosystem accounting rules.

CHAPTER III

INCOME RECOGNITION

Article 10

Recognition of income

1. The following rules shall apply to income recognition:
 - (a) realised gains and realised losses shall be taken to the profit and loss account;
 - (b) unrealised gains shall not be recognised as income, but transferred directly to a revaluation account;
 - (c) unrealised losses shall be taken to the profit and loss account when exceeding previous revaluation gains registered in the corresponding revaluation account;
 - (d) unrealised losses taken to the profit and loss account shall not be reversed in subsequent years against new unrealised gains;
 - (e) there shall be no netting of unrealised losses in any one security, or in any currency or in gold holdings against unrealised gains in other securities or currencies or gold.
2. Premiums or discounts arising on issued and purchased securities shall be calculated and presented as part of interest income and shall be amortised over the remaining life of the securities, either according to the straight line method or the internal rate of return (IRR) method. The IRR method shall, however, be mandatory for discount securities with a remaining maturity of more than one year at the time of acquisition.
3. Accruals denominated in foreign currencies shall be translated at the mid-market rate at the year-end and reversed at the same rate.
4. Only transactions that entail a change in the holding of a given currency may give rise to realised foreign exchange gains or losses.
5. Holdings on special revaluation accounts stemming from contributions according to Article 49.2 of the Statute with respect to central banks of a Member State for which the

derogation has been abrogated shall be used to offset unrealised losses when exceeding previous revaluation gains registered in the corresponding standard revaluation account as described in paragraph 1(c) of this Article, prior to the offsetting of such losses in accordance with Article 33.2 of the Statute. The holdings on special revaluation accounts for gold, for currencies and for securities shall be reduced *pro rata* in the event of a reduction in the holdings of the relevant assets.

Article 11

Cost of transactions

1. The following general rules shall apply to the cost of transactions:
 - (a) the average cost method shall be used on a daily basis for gold, foreign currency instruments and securities, to compute the acquisition cost of items sold, having regard to the effect of exchange rate and/or price movements;
 - (b) the average cost price/rate of the asset/liability shall be reduced/increased by unrealised losses taken to the profit and loss account at the year-end;
 - (c) in the case of the acquisition of coupon securities, the amount of coupon income purchased shall be treated as a separate item. In the case of securities denominated in foreign currency, it shall be included in the holding of that currency, but shall not be included in the cost or price of the asset for the purpose of determining the average price.
2. The following special rules shall apply to securities:
 - (a) transactions shall be recorded at the transaction price and booked in the financial accounts at the clean price;
 - (b) custody and management fees, current account fees and other indirect costs are not considered as transaction costs and shall be included in the profit and loss account. They shall not be treated as part of the average cost of a particular asset;
 - (c) income shall be recorded gross with refundable withholding and other taxes accounted for separately;
 - (d) for the purpose of calculating the average purchase cost of a security, either (i) all purchases made during the day shall be added at cost to the previous day's holding to produce a new weighted average price before applying the sales for the same day; or (ii) individual purchases and sales of securities may be applied in the order in which they occurred during the day for the purpose of calculating the revised average price.

3. The following special rules shall apply to gold and foreign exchange:

- (a) transactions in a foreign currency which entail no change in the holding of that currency shall be translated into euro, using the exchange rate of the contract or settlement date, and shall not affect the acquisition cost of that holding;
- (b) transactions in foreign currency which entail a change in the holding of that currency shall be translated into euro at the exchange rate of the contract or settlement date;
- (c) actual cash receipts and payments shall be translated at the mid-market exchange rate on the day on which settlement occurs;
- (d) net acquisitions of currencies and gold made during the day shall be added, at the average cost of the purchases of the day for each respective currency and gold, to the previous day's holding, to produce a new weighted average rate/gold price. In the case of net sales, the calculation of the realised gain or loss shall be based on the average cost of the respective currency or gold holding for the preceding day so that the average cost remains unchanged. Differences in the average rate/gold price between inflows and outflows made during the day shall also result in realised gains or losses. Where a liability situation exists in respect of a foreign currency or gold position, the reverse treatment shall apply to the abovementioned approach. Thus the average cost of the liability position shall be affected by net sales, while net purchases shall reduce the position at the existing weighted average rate/gold price;
- (e) costs of foreign exchange transactions and other general costs shall be posted to the profit and loss account.

CHAPTER IV

ACCOUNTING RULES FOR OFF-BALANCE-SHEET INSTRUMENTS

Article 12

General rules

1. Foreign exchange forward transactions, the forward legs of foreign exchange swaps and other currency instruments involving an exchange of one currency for another at a future date shall be included in the net foreign currency positions for calculating foreign exchange gains and losses.

2. Interest rate swaps, futures, forward rate agreements and other interest rate instruments shall be accounted for and revalued on an item-by-item basis. These instruments shall be treated separately from on-balance-sheet items.

3. Profits and losses arising from off-balance-sheet instruments shall be recognised and treated in a similar manner to on-balance-sheet instruments.

Article 13

Foreign exchange forward transactions

1. Forward purchases and sales shall be recognised in off-balance-sheet accounts from the trade date to the settlement date at the spot rate of the forward transaction. Gains and losses on sale transactions shall be calculated using the average cost of the currency position on the contract date, plus two or three working days, in accordance with the daily netting procedure of purchases and sales. Gains and losses shall be considered to be unrealised until the settlement date and shall be treated in accordance with Article 10(1).

2. The difference between the spot and the forward rates shall be treated as interest payable or receivable on an accruals basis for both purchases and sales.

3. At the settlement date the off-balance-sheet accounts shall be reversed, and any balance on the revaluation account shall be credited to the profit and loss account at quarter-end.

4. The average cost of the currency position shall be affected by forward purchases from the trade date plus either two or three working days, depending on the market conventions for the settlement of spot transactions, at the spot purchase rate.

5. The forward positions shall be valued in conjunction with the spot position of the same currency, offsetting any differences that may arise within a single currency position. A net loss balance shall be debited to the profit and loss account when it exceeds previous revaluation gains registered in the revaluation account; a net profit balance shall be credited to the revaluation account.

Article 14

Foreign exchange swaps

1. Spot purchases and sales shall be recognised in on-balance-sheet accounts at the settlement date.

2. Forward sales and purchases shall be recognised in off-balance-sheet accounts from the trade date to the settlement date at the spot rate of the forward transactions.

3. Sale transactions shall be recognised at the spot rate of the transaction, so that no gains and losses will arise.

4. The difference between the spot and forward rates shall be treated as interest payable or receivable on an accruals basis for both purchases and sales.

5. At the settlement date the off-balance-sheet accounts shall be reversed.

6. The average cost of the foreign currency position shall not change.

7. The forward position shall be valued in conjunction with the spot position.

Article 15

Interest rate futures

1. Interest rate futures shall be recorded on the trade date in off-balance-sheet accounts.

2. The initial margin shall be recorded as a separate asset if deposited in cash. If deposited in the form of securities, it shall remain unchanged in the balance sheet.

3. Daily changes in the variation margins shall be recorded in the balance sheet in a separate account, either as an asset or as a liability, depending on the price development of the futures contract. The same procedure shall be applied on the closing day of the open position. Immediately thereafter the separate account shall be cancelled and the overall result of the transaction shall be recorded as a profit or loss, regardless of whether or not delivery takes place. If delivery does take place, the purchase or sale entry shall be made at market price.

4. Fees shall be taken to the profit and loss account.

5. The conversion into euro, if appropriate, shall be made on the close-out day at the market rate on that day. An inflow of foreign currency shall have an effect on the average cost of this currency position on the close-out date.

6. Owing to daily revaluation, the profits and losses shall be entered in defined separate accounts. A separate account on the assets side shall represent a loss and a separate account on the liabilities side shall represent a profit. Unrealised losses shall be debited to the profit and loss account and such amounts shall be credited to a liability account as other liabilities.

7. Unrealised losses taken to the profit and loss account at the year-end shall not be reversed in subsequent years against unrealised profits, unless the instrument is closed out or terminated. In the case of a profit, the entry made shall be a debit to a suspense account as other assets and a credit to the revaluation account.

Article 16

Interest rate swaps

1. Interest rate swaps shall be recorded on the trade date in off-balance-sheet accounts.

2. The current interest payments, either received or paid, shall be recorded on an accruals basis. Netting payments per interest rate swap are allowed.

3. The average cost of the currency position shall be affected by interest rate swaps in a foreign currency when there is a difference between payments received and payments paid. A payment balance leading to an inflow shall affect the average cost of the currency when the payment is due.

4. Every interest rate swap shall be marked-to-market and, if necessary, translated into euro at the currency spot rate. Unrealised losses taken to the profit and loss account at the year-end shall not be reversed in subsequent years against unrealised profits unless the instrument is closed out or terminated. Unrealised revaluation gains shall be credited to a revaluation account.

5. Fees shall be taken to the profit and loss account.

Article 17

Forward rate agreements

1. Forward rate agreements shall be recorded at the time of trading in off-balance-sheet accounts.

2. The compensation payment to be paid by one party to another at the settlement date shall be entered on the settlement date in the profit and loss account. Payments shall not be recorded on an accruals basis.

3. If forward rate agreements in a foreign currency are held, there shall be an effect on the average cost of this currency position in the compensation payment. The compensation payment shall be translated into euro at the spot rate on the settlement date. A payment balance leading to an inflow shall affect the average cost of the currency when the payment is due.

4. All forward rate agreements shall be marked-to-market and, if necessary, translated into euro at the currency spot rate. Unrealised losses taken to the profit and loss account at the year-end shall not be reversed in subsequent years against unrealised profits unless the instrument is closed out or terminated. Unrealised revaluation gains shall be credited to a revaluation account.

5. Fees shall be taken to the profit and loss account.

Article 18

Forward transactions in securities

Forward transactions in securities may be accounted for in accordance with either of the following two methods:

Method A:

- (a) forward transactions in securities shall be recorded in off-balance-sheet accounts from the trade date to the settlement date, at the forward price of the forward transaction;
- (b) the average cost of the holding of the traded security shall not be affected until settlement; the profit and loss effects of forward sale transactions shall be calculated on the settlement date;
- (c) at the settlement date the off-balance-sheet accounts shall be reversed and the balance on the revaluation account — if any — shall be credited to the profit and loss account. The security purchased shall be accounted for using the spot price on the maturity date (actual market price), while the difference with the original forward price shall be recognised as a realised profit or loss;
- (d) in the case of securities denominated in a foreign currency, the average cost of the net currency position shall not be affected if the ECB already holds a position in that currency. If the bond purchased forward is denominated in a currency in which the ECB does not hold a position, so that it is necessary to purchase the relevant currency, the rules for the purchase of foreign currencies under Article 11(3)(d) shall apply;
- (e) forward positions shall be valued on an isolated basis against the forward market price for the remaining duration of the transaction. A revaluation loss at the year-end shall be debited to the profit and loss account, and a revaluation profit shall be credited to the revaluation account. Unrealised losses recognised in the profit and loss account at the year-end shall not be reversed in subsequent years against unrealised profits unless the instrument is closed out or terminated.

Method B:

- (a) forward transactions in securities shall be recorded in off-balance-sheet accounts from the trade date to the settlement date at the forward price of the forward transaction. At the settlement date the off-balance-sheet accounts shall be reversed;
- (b) at the quarter-end the revaluation of a security shall be made on the basis of the net position resulting from the balance sheet and from the sales of the same security recorded in the off-balance-sheet accounts. The amount of the revaluation shall be equal to the difference between this net position valued at revaluation price and the same position valued at the average cost of the balance sheet position. At the quarter-end, forward purchases shall be subject to the revaluation process described in Article 7. The revaluation result shall be equal to the difference between the spot price and the average cost of the purchase commitments;
- (c) the result of a forward sale shall be recorded in the financial year in which the commitment was undertaken. This result shall be equal to the difference between the initial forward price and the average cost of the balance sheet position, or the average cost of the off-balance-sheet purchase commitments if the balance sheet position is insufficient, at the time of the sale.

CHAPTER V

ANNUAL PUBLISHED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Article 19

Formats

1. The format for the ECB's published annual balance sheet shall follow the format in Annex III.
2. The format of the ECB's published profit and loss account shall comply with Annex IV.

CHAPTER VI

FINAL PROVISIONS

Article 20

Development, application and interpretation of rules

1. The Accounting and Monetary Income Committee (AMICO) shall act as the ESCB forum for advising the Governing Council, via the Executive Board, on the development, application and implementation of the accounting rules of the ESCB.

2. In interpreting this Decision, account shall be taken of the preparatory work, the accounting principles harmonised by Community law and generally accepted international accounting standards.

3. If a specific accounting treatment is not laid down in this Decision and in the absence of a decision to the contrary by the Governing Council, the ECB shall follow International Accounting Standards relevant to the activities and accounts of the ECB, in so far as these do not contradict in a material manner the European Community accounting legislation.

Article 21

Repeal

Decision ECB/2000/16 is hereby repealed. References to the repealed Decision shall be construed as references to this Decision.

Article 22

Final provisions

1. This Decision shall enter into force on 1 January 2003.

2. Without prejudice to the previous paragraph, this Decision shall also apply to the drawing up of the annual balance sheet of the ECB as at 31 December 2002 and the profit and loss account of the ECB for the year ending 31 December 2002.

This Decision shall be published in the *Official Journal of the European Union*.

Done at Frankfurt am Main, 5 December 2002.

The President of the ECB

Willem F. DUISENBERG

ANNEX I

GLOSSARY

Amortisation shall mean the systematic reduction in the accounts of a premium/discount or of the value of assets over a period of time.

Asset shall mean a resource controlled by the enterprise as a result of past events and from which future economic benefits are expected to flow to the enterprise.

Automated security lending programme (ASLP) shall mean a financial operation combining repo and reverse repo transactions where specific collateral is lent against general collateral. As a result of these lending and borrowing transactions, income is generated through the different repo rates of the two transactions (i.e. the margin received). The operation may be conducted under a principal-based programme i.e. the bank offering this programme is considered the final counterparty, or under an agency-based programme i.e. the bank offering this programme acts only as agent, and the final counterparty is the institution with which the security lending transactions are effectively conducted.

Average cost shall mean the continued or weighted average method, by which the cost of every purchase is added to the existing book value to produce a new weighted average cost.

Cash/settlement approach shall mean an accounting approach under which accounting events are recorded at the settlement date.

Clean price shall mean transaction price excluding any rebate/accrued interest, but including transaction costs that form part of the price.

Discount shall mean the difference between the par value of a security and its price when such price is lower than par.

Discount security shall mean an asset which does not pay coupon interest, and the return on which is achieved by capital appreciation because the asset is issued or bought at a discount.

Equity instruments shall mean dividend bearing securities (corporate shares, and securities evidencing an investment in an equity fund).

Financial asset shall mean any asset that is: (i) cash; or (ii) a contractual right to receive cash or another financial instrument from another enterprise; or (iii) a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable; or (iv) an equity instrument of another enterprise.

Financial liability shall mean any liability that is a legal obligation to deliver cash or another financial instrument to another enterprise or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

Foreign currency holding shall mean the net position in the respective currency. For the purpose of this definition special drawing rights (SDRs) shall be considered as a separate currency.

Foreign exchange forward shall mean a contract in which the outright purchase or sale of a certain amount denominated in a foreign currency against another currency, usually the domestic currency, is agreed on one day and the amount is to be delivered at a specified future date, more than two working days after the date of the contract, at a given price. This forward rate of exchange consists of the prevailing spot rate plus/minus an agreed premium/discount.

Foreign exchange swap shall mean the simultaneous spot purchase/sale of one currency against another (short leg) and forward sale/purchase of the same amount of this currency against the other currency (long leg).

Forward rate agreement shall mean a contract in which two parties agree the interest rate to be paid on a notional deposit of a specified maturity on a specific future date. At the settlement date compensation has to be paid by one party to the other, depending on the difference between the contracted interest rate and the market rate on the settlement date.

Forward transactions in securities shall mean over the counter contracts in which the purchase or sale of an interest rate instrument (usually a bond or note) is agreed on the contract date to be delivered at a future date, at a given price.

Interest rate future shall mean an exchange traded forward contract. In such a contract, the purchase or sale of an interest rate instrument, e.g. a bond, is agreed on the contract date to be delivered at a future date, at a given price. Usually no actual delivery takes place; the contract is normally closed out before the agreed maturity.

Internal rate of return shall mean a rate at which the accounting value of a security is equal to the present value of the future cash flow.

(Cross-currency) interest rate swap shall mean a contractual agreement to exchange cash flows representing streams of periodic interest payments with a counterparty either in one currency or in two different currencies.

Interlinking shall mean the technical infrastructures, design features and procedures which are put in place within or constitute adaptations of each national RTGS system and the ECB payment mechanism (EPM) for the purpose of processing cross-border payments in the TARGET system.

International securities identification number (ISIN) shall mean the number issued by the relevant competent issuing authority.

Liability shall mean a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.

Market price shall mean the price that is quoted for a gold, foreign exchange or securities instrument usually excluding accrued or rebate interest either on an organised market e.g. stock exchange or a non-organised market e.g. over-the-counter market.

Maturity date shall mean the date on which the nominal/principal value becomes due and payable in full to the holder.

Mid-market price shall mean the mid-point between the bid price and the offer price for a security based on quotations for transactions of normal market size by recognised market-makers or recognised trading exchanges, which is used for the year-end revaluation procedure.

Mid-market rate shall mean the ECB daily concertation rates at 14.15, which is used for the year-end revaluation procedure.

Premium shall mean the difference between the par value of a security and its price when such price is higher than par.

Provisions shall mean amounts set aside before arriving at the profit or loss figure in order to provide for any known or expected liability or risk, the cost of which cannot be accurately determined (see Reserves). Provisions for future liabilities and charges may not be used to adjust the value of assets.

Realised gains/losses shall mean gains/losses arising out of the difference between the sale price of a balance sheet item and its adjusted cost.

Reserves shall mean an amount set aside out of distributable profits, which is not intended to meet any specific liability, contingency or expected diminution in value of assets known to exist at the balance sheet date.

Revaluation accounts shall mean balance sheet accounts for registration of the difference in the value of an asset or liability between the adjusted cost of its acquisition and its valuation at an end-of-period market price, when the latter is higher than the former in case of assets, and when the latter is lower than the former in case of liabilities. They include differences in both price quotation and/or market exchange rates.

A reverse sale and repurchase agreement (reverse repo) is a contract under which a holder of cash agrees to the purchase of an asset and, simultaneously, agrees to re-sell the asset for an agreed price on demand, or after a stated time, or in the event of a particular contingency. Sometimes a repo transaction is agreed via a third party (triparty repo).

Reverse transaction shall mean an operation whereby the central bank buys (reverse repo) or sells (repo) assets under a repurchase agreement or conducts credit operations against collateral.

Settlement shall mean an act that discharges obligations in respect of funds or assets transfers between two or more parties. In the context of intra-Eurosystem transactions, settlement refers to the elimination of the net balances arising from intra-Eurosystem transactions and requires the transfer of assets.

Settlement date shall mean the date on which the final and irrevocable transfer of value has been recorded in the books of the relevant settlement institution. The timing of the settlement can be immediate (real-time), same day (end-of-day) or an agreed date after the date on which the commitment has been entered into.

Straight line depreciation/amortisation shall mean that depreciation/amortisation over a given period is determined by dividing the cost of the asset, less its estimated residual value, by the estimated useful life of the asset *pro rata temporis*.

TARGET shall mean the Trans-European Automated Real-time Gross settlement Express Transfer system composed of one Real-Time Gross Settlement system (RTGS system) in each of the NCBs, the EPM and the interlinking.

Transaction costs shall mean costs that are identifiable as related to the specific transaction.

Transaction price shall mean the price agreed between the parties when a contract is made.

Unrealised gains/losses shall mean gains/losses arising from the revaluation of assets compared to their adjusted cost of acquisition.

ANNEX II

COMPOSITION AND VALUATION RULES FOR THE BALANCE SHEET

Note: The numbering relates to the balance sheet format given in Annex III.

ASSETS

Balance sheet item	Categorisation of contents of balance sheet items	Valuation principle
1. Gold and gold receivables	Physical gold (i.e. bars, coins, plates, nuggets) in storage or 'under way'. Non-physical gold, such as balances in gold sight accounts (unallocated accounts), term deposits and claims to receive gold arising from the following transactions: upgrading or downgrading transactions and gold location or purity swaps where there is a difference of more than one business day between release and receipt	Market value
2. Claim on non-euro area residents denominated in foreign currency	Claims on counterparties resident outside the euro area (including international and supranational institutions and central banks outside the euro area) denominated in foreign currency	
2.1. Receivables from the IMF	(a) <i>Drawing rights within the reserve tranche (net)</i> National quota minus balances in euro at the disposal of the IMF. (The No 2 account of the IMF (euro account for administrative expenses) could be included in this position or under the item 'Liabilities to non-euro area residents denominated in euro') (b) <i>Special drawing rights</i> Holdings of special drawing rights (gross) (c) <i>Other claims</i> General arrangements to borrow (GAB), loans under special borrowing arrangements, deposits within the framework of the Poverty Reduction and Growth Facility (PRGF)	(a) <i>Drawing rights within the reserve tranche (net)</i> Nominal value, translation at the year-end foreign exchange market rate (b) <i>Special drawing rights</i> Nominal value, translation at the year-end foreign exchange market rate (c) <i>Other claims</i> Nominal value, translation at the year-end foreign exchange market rate
2.2. Balances with banks and security investments, external loans and other external assets	(a) <i>Balances with banks outside the euro area</i> Current accounts, fixed-term deposits, day-to-day money, reverse repo transactions (b) <i>Security investments (other than equity shares, participations and other securities under asset item 'Other financial assets') outside the euro area</i> Marketable notes and bonds, bills, zero bonds, money market paper, all issued by non-euro area residents (c) <i>External loans (deposits)</i> Loans to and non-marketable securities (other than equity shares, participations and other securities under asset item 'Other financial assets') issued by non-euro area residents	(a) <i>Balances with banks outside the euro area</i> Nominal value, translation at the year-end foreign exchange market rate (b) <i>Securities (marketable)</i> Market price and foreign exchange market rate at year-end (c) <i>External loans</i> Deposits at nominal value, non-marketable securities at cost; both translated at the year-end foreign exchange market rate

Balance sheet item	Categorisation of contents of balance sheet items	Valuation principle
	(d) <i>Other external assets</i> Non-euro area banknotes and coins	(d) <i>Other external assets</i> Nominal value, translation at the year-end foreign exchange market rate
3. Claims on euro area residents denominated in foreign currency	(a) <i>Securities</i> Marketable notes and bonds, bills, zero bonds, money market paper (other than equity shares, participations and other securities under asset item 'Other financial assets') (b) <i>Other claims</i> Non-marketable securities (other than equity shares, participations and other securities under asset item 'Other financial assets'), loans, deposits, reverse repo transactions, sundry lending	(a) <i>Securities (marketable)</i> Market price and foreign exchange market rate at year-end (b) <i>Other claims</i> Deposits at nominal value, non-marketable securities at cost, both translated at the year-end foreign exchange market rate
4. Claims on non-euro area residents denominated in euro		
4.1. Balances with banks, security investments and loans	(a) <i>Balances with banks outside the euro area</i> Current accounts, fixed-term deposits, day-to-day money, reverse repo transactions in connection with the management of securities denominated in euro (b) <i>Security investments (other than equity shares, participations and other securities under asset item 'Other financial assets') outside the euro area</i> Marketable notes and bonds, bills, zero bonds, money market paper, all issued by non-euro area residents (c) <i>Loans outside the euro area</i> Loans to and non-marketable securities issued by non-euro area residents (d) <i>Securities issued by entities outside the euro area</i> Securities issued by supranational or international organisations e.g. the EIB, irrespective of their geographical location	(a) <i>Balances with banks outside the euro area</i> Nominal value (b) <i>Marketable securities</i> Market price at year-end (c) <i>Loans outside the euro area</i> Deposits at nominal value, non-marketable securities at cost (d) <i>Securities issued by entities outside the euro area</i> Market price at year-end
4.2. Claims arising from the credit facility under ERM II	Lending according to the conditions of ERM II	Nominal value
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	Items 5.1 to 5.5: transactions according to the respective monetary policy instruments described in the document 'The single monetary policy in the euro area: General documentation on Eurosystem monetary policy instruments and procedures'	

Balance sheet item	Categorisation of contents of balance sheet items	Valuation principle
5.1. Main refinancing operations	Regular liquidity-providing reverse transactions with a weekly frequency and normally a maturity of two weeks	Nominal value or (repo) cost
5.2. Longer-term refinancing operations	Regular liquidity-providing reverse transactions with a monthly frequency and normally a maturity of three months	Nominal value or (repo) cost
5.3. Fine-tuning reverse operations	Reverse transactions, executed as ad hoc transactions for fine-tuning purposes	Nominal value or (repo) cost
5.4. Structural reverse operations	Reverse transactions aiming at adjusting the structural position of the Eurosystem vis-à-vis the financial sector	Nominal value or (repo) cost
5.5. Marginal lending facility	Overnight liquidity facility at a pre-specified interest rate against eligible assets (standing facility)	Nominal value or (repo) cost
5.6. Credits related to margin calls	Additional credit to credit institutions, arising from value increases of underlying assets regarding other credit to these credit institutions	Nominal value or cost
6. Other claims on euro area credit institutions denominated in euro	Current accounts, fixed-term deposits, day-to-day money, reverse repo transactions in connection with the management of security portfolios under the asset item 'Securities of euro area residents denominated in euro' (including transactions resulting from the transformation of former foreign currency reserves of the euro area) and other claims. Correspondent accounts with non-domestic euro area credit institutions. Other claims and operations which are not related to monetary policy operations of the Eurosystem	Nominal value or cost
7. Securities of euro area residents denominated in euro	Marketable securities (related to or eligible to be used for monetary policy purposes, other than equity shares, participations and other securities under asset item 'Other financial assets'): notes and bonds, bills, zero bonds, money market paper held outright (including government securities stemming from before EMU) denominated in euro; ECB debt certificates purchased for fine-tuning purposes	Market price at year-end
8. General government debt denominated in euro	Claims on government stemming from before EMU (non-marketable securities, loans)	Deposits/loans at nominal value, non-marketable securities at cost
9. Intra-Eurosystem claims		

Balance sheet item	Categorisation of contents of balance sheet items	Valuation principle
9.1. Claims related to promissory notes backing the issuance of ECB debt certificates	Only an ECB balance sheet item Promissory notes issued by NCBs, due to the back-to-back agreement in connection with ECB debt certificates	Nominal value
9.2. Claims related to the allocation of euro banknotes within the Eurosystem	Claims related to the ECB's banknote issue, according to Decision ECB/2001/15 of 6 December 2001 on the issue of euro banknotes ⁽¹⁾	Nominal value
9.3. Other claims within the Eurosystem (net)	(a) Net claims arising from balances of TARGET accounts and correspondent accounts of NCBs i.e. the net figure of claims and liabilities (see also liability item 'Other liabilities within the Eurosystem (net)')	(a) Nominal value
	(b) Other intra-Eurosystem claims that may arise, including the interim distribution of ECB seigniorage income to NCBs	(b) Nominal value
10. Items in course of settlement	Settlement account balances (claims), including the float of cheques in collection	Nominal value
11. Other assets		
11.1. Coins of euro area	Euro coins	Nominal value
11.2. Tangible and intangible fixed assets	Land and buildings, furniture and equipment (including computer equipment), software	Cost less depreciation Depreciation rates: — computers and related hardware/software and motor vehicles: four years — equipment, furniture and plant in building: 10 years — building and capitalised major refurbishment expenditure: 25 years Capitalisation of expenditure: limit based (below EUR 10 000 excluding VAT: no capitalisation)

Balance sheet item	Categorisation of contents of balance sheet items	Valuation principle
11.3. Other financial assets	Equity instruments, participating interests and investments in subsidiaries. Investment portfolios related to pension funds and severance schemes. Securities held owing to statutory requirements and investment activities for a specific purpose, carried out by NCBs on their own account such as the management of an earmarked portfolio corresponding to capital and reserves and the management of an earmarked portfolio held as a permanent investment (financial fixed assets). Reverse repo transactions with credit institutions in connection with the management of security portfolios under this item	(a) <i>Marketable equity instruments</i> Market value (b) <i>Participating interests and illiquid equity shares</i> Cost (c) <i>Investment in subsidiaries or significant interests</i> Net asset value (d) <i>Securities (marketable)</i> Market value (e) <i>Non-marketable securities</i> Cost (f) <i>Financial fixed assets</i> Cost Premiums/discounts are amortised. For equity instruments, the detailed rules are set out in Article 9 of this Decision.
11.4. Off-balance sheet instruments revaluation differences	Valuation results of foreign exchange forwards, foreign exchange swaps, interest rate futures, financial swaps, forward rate agreements	Net position between forward and spot, at foreign exchange market rate
11.5. Accruals and prepaid expenditure	Income not due in, but assignable to the reported period. Prepaid expenditure and erest paid ⁽²⁾	Nominal value, foreign exchange translated at market rate
11.6. Sundry	Advances, loans, other minor items. Loans on a trust basis Investments related to customer gold deposits Interim distribution of ECB income on euro banknotes to NCBs	Nominal value/cost <i>Investments related to customer gold deposits</i> Market value
12. Loss for the year		Nominal value

⁽¹⁾ OJ L 337, 20.12.2001, p. 52.

⁽²⁾ I.e. accrued interest purchased with a security.

LIABILITIES

Balance sheet item	Categorisation of contents of balance sheet items	Valuation principle
1. Banknotes in circulation	Euro banknotes issued by the ECB, according to Decision ECB/2001/15	Nominal value
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	Items 2.1, 2.2, 2.3 and 2.5: deposits in euro as described in the document 'The single monetary policy in the euro area: General documentation on Eurosystem monetary policy instruments and procedures'	
2.1. Current accounts (covering the minimum reserve system)	Euro accounts of credit institutions that are included in the list of financial institutions subject to minimum reserves according to the Statute. This item contains primarily accounts used in order to hold minimum reserves	Nominal value
2.2. Deposit facility	Overnight deposits at a pre-specified interest rate (standing facility)	Nominal value
2.3. Fixed-term deposits	Collection for liquidity absorption purposes owing to fine-tuning operations	Nominal value
2.4. Fine-tuning reverse operations	Monetary policy-related transactions with the aim of liquidity absorption	Nominal value or (repo) cost
2.5. Deposits related to margin calls	Deposits of credit institutions, arising from value decreases of underlying assets regarding credits to these credit institutions	Nominal value
3. Other liabilities to euro area credit institutions denominated in euro	Repo transactions in connection with simultaneous reverse repo transactions for the management of security portfolios under asset item 'Securities of euro area residents denominated in euro'. Other operations unrelated to Eurosystem monetary policy operations. No current accounts of credit institutions	Nominal value or (repo) cost
4. ECB debt certificates issued	Only an ECB balance sheet item Debt certificates as described in the document 'The single monetary policy in the euro area: General documentation on Eurosystem monetary policy instruments and procedures' Discount paper, issued with the aim of liquidity absorption	Nominal value
5. Liabilities to other euro area residents denominated in euro		
5.1. General government	Current accounts, fixed-term deposits, deposits repayable on demand	Nominal value

Balance sheet item	Categorisation of contents of balance sheet items	Valuation principle
5.2. Other liabilities	Current accounts of staff, companies and clients (including financial institutions listed as exempt from the obligation to hold minimum reserves — see liability item 2.1), etc.; fixed-term deposits, deposits repayable on demand	Nominal value
6. Liabilities to non-euro area residents denominated in euro	Current accounts, fixed-term deposits, deposits repayable on demand (including accounts held for payment purposes and accounts held for reserve management purposes): of other banks, central banks, international/supranational institutions (including the Commission of the European Communities); current accounts of other depositors. Repo transactions in connection with simultaneous reverse repo transactions for the management of securities denominated in euro. Balances of TARGET accounts of non-participating NCBs	Nominal value or (repo) cost
7. Liabilities to euro area residents denominated in foreign currency	Current accounts. Liabilities under repo transactions; usually investment transactions using foreign currency assets or gold	Nominal value, translation at year-end foreign exchange market rate
8. Liabilities to non-euro area residents denominated in foreign currency		
8.1. Deposits, balances and other liabilities	Current accounts. Liabilities under repo transactions; usually investment transactions using foreign currency assets or gold	Nominal value, translation at the year-end foreign exchange market rate
8.2. Liabilities arising from the credit facility under ERM II	Borrowing according to the conditions of ERM II	Nominal value, translation at the year-end foreign exchange market rate
9. Counterpart of special drawing rights allocated by the IMF	SDR-denominated item which shows the amount of SDRs that were originally allocated to the respective country/NCB	Nominal value, translation at the year-end foreign exchange market rate
10. Intra-Eurosystem liabilities		
10.1. Liabilities equivalent to the transfer of foreign reserves	ECB balance sheet item, denominated in euro	Nominal value
10.2. Other liabilities within the Eurosystem (net)	(a) Net liabilities arising from balances of TARGET accounts and correspondent accounts of NCBs i.e. the net figure of claims and liabilities (see also asset item 'Other claims within the Eurosystem (net)') (b) Other intra-Eurosystem liabilities that may arise, including the interim distribution of ECB income on euro banknotes to NCBs	(a) Nominal value (b) Nominal value
11. Items in course of settlement	Settlement account balances (liabilities), including the float of giro transfers	Nominal value

Balance sheet item	Categorisation of contents of balance sheet items	Valuation principle
12. Other liabilities		
12.1. Off-balance sheet instruments revaluation differences	Valuation results of foreign exchange forwards, foreign exchange swaps, interest rate futures, financial swaps, forward rate agreements	Net position between forward and spot, at foreign exchange market rate
12.2. Accruals and income collected in advance	Expenditure falling due in a future period but relating to the reporting period. Income received in the reported period but relating to a future period	Nominal value, foreign exchange translated at market rate
12.3. Sundry	Taxation (suspense) accounts. (Foreign currency) credit or guarantee cover accounts. Repo transactions with credit institutions in connection with simultaneous reverse repo transactions for the management of security portfolios under asset item 'Other financial assets'. Compulsory deposits other than reserve deposits. Other minor items. Current income (net accumulated profit), profit of the previous year before distribution. Liabilities on a trust basis. Customer gold deposits	Nominal value or (repo) cost <i>Customer gold deposits</i> Market value
13. Provisions	For pensions, for exchange and price risks, and for other purposes e.g. expected future expenses and contributions according to Article 49.2 of the Statute with respect to central banks of Member States whose derogations have been abrogated	Cost/nominal value
14. Revaluation accounts	(a) Revaluation accounts related to price movements (for gold, for every type of euro-denominated security, for every type of foreign currency-denominated security, market valuation differences related to interest rate risk derivatives); revaluation accounts related to foreign exchange rate movements (for every currency net position held, including foreign exchange swaps/forwards and SDRs) (b) Special revaluation accounts stemming from contributions according to Article 49.2 of the Statute with respect to central banks of Member States whose derogations have been abrogated (see Article 10.5).	Revaluation difference between average cost and market value, foreign exchange translated at market rate
15. Capital and reserves		
15.1. Capital	Paid-up capital	Nominal value
15.2. Reserves	Legal reserves, according to Article 33 of the Statute and contributions according to Article 49.2 of the Statute with respect to central banks of Member States whose derogations have been abrogated	Nominal value
16. Profit for the year		Nominal value

ANNEX III

Annual balance sheet of the ECB

		(EUR millions) (1)	
Assets	Liabilities	Reporting year	Previous year
1. Gold and gold receivables	1. Banknotes in circulation		
2. Claims on non-euro area residents denominated in foreign currency	2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro		
2.1. Receivables from the IMF	2.1. Current accounts (covering the minimum reserve system)		
2.2. Balances with banks and security investments, external loans and other external assets	2.2. Deposit facility		
3. Claims on euro area residents denominated in foreign currency	2.3. Fixed-term deposits		
4. Claims on non-euro area residents denominated in euro	2.4. Fine-tuning reverse operations		
4.1. Balances with banks, security investments and loans	2.5. Deposits related to margin calls		
4.2. Claims arising from the credit facility under ERM II	3. Other liabilities to euro area credit institutions denominated in euro		
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	4. ECB debt certificates issued		
5.1. Main refinancing operations	5. Liabilities to other euro area residents denominated in euro		
5.2. Longer-term refinancing operations	5.1. General government		
5.3. Fine-tuning reverse operations	5.2. Other liabilities		
5.4. Structural reverse operations	6. Liabilities to non-euro area residents denominated in euro		
5.5. Marginal lending facility	7. Liabilities to euro area residents denominated in foreign currency		
5.6. Credits related to margin calls	8. Liabilities to non-euro area residents denominated in foreign currency		
6. Other claims on euro area credit institutions denominated in euro	8.1. Deposits, balances and other liabilities		
7. Securities of euro area residents denominated in euro	8.2. Liabilities arising from the credit facility under ERM II		
8. General government debt denominated in euro	9. Counterpart of special drawing rights allocated by the IMF		

(EUR millions) ⁽¹⁾					
		Reporting year	Previous year	Liabilities	Reporting year
Assets					Previous year
9.	Intra-Eurosystem claims			10. Intra-Eurosystem liabilities	
9.1.	Claims related to promissory notes backing the issuance of ECB debt certificates			10.1. Liabilities equivalent to the transfer of foreign reserves	
9.2.	Claims related to the allocation of euro banknotes within the Eurosystem			10.2. Other liabilities within the Eurosystem (net)	
9.3.	Other claims within the Eurosystem (net)			11. Items in course of settlement	
10.	Items in course of settlement			12. Other liabilities	
11.	Other assets			12.1. Off-balance sheet instruments revaluation differences	
11.1.	Coins of euro area			12.2. Accruals and income collected in advance	
11.2.	Tangible and intangible fixed assets			12.3. Sundry	
11.3.	Other financial assets			13. Provisions	
11.4.	Off-balance sheet instruments revaluation differences			14. Revaluation accounts	
11.5.	Accruals and prepaid expenses			15. Capital and reserves	
11.6.	Sundry			15.1. Capital	
12.	Loss for the year			15.2. Reserves	
				16. Profit for the year	
Total assets				Total liabilities	

⁽¹⁾ The ECB may alternatively publish exact euro amounts, or amounts rounded in a different manner.

ANNEX IV

PUBLISHED PROFIT AND LOSS ACCOUNT OF THE ECB

(EUR millions) ⁽¹⁾

Profit and loss account for the year ending 31 December ...	Reporting year	Previous year
1.1.1. Interest income on foreign reserve assets		
1.1.2. Interest income arising from the allocation of euro banknotes within the Eurosystem		
1.1.3. Other interest income		
1.1. Interest income		
1.2.1. Remuneration of NCBs' claims in respect of foreign reserves transferred		
1.2.2. Other interest expense		
1.2. Interest expense		
1. Net interest income		
2.1. Realised gains/losses arising from financial operations		
2.2. Write-downs on financial assets and positions		
2.3. Transfer to/from provisions for foreign exchange rate and price risks		
2. Net result of financial operations, write downs and risk provisions		
Fees and commissions income		
Fees and commissions expense		
3. Net income from fees and commissions ⁽²⁾		
4. Income from equity shares and participating interests		
5. Other income		
Total net income		
6. Staff costs ⁽³⁾		
7. Administrative expenses ⁽³⁾		
8. Depreciation of tangible and intangible fixed assets		
9. Banknote production services ⁽⁴⁾		
10. Other expenses		
(Loss)/profit for the year		

⁽¹⁾ The ECB may alternatively publish exact euro amounts, or amounts rounded in a different manner.

⁽²⁾ The breakdown between income and expense may alternatively be provided in the explanatory notes to the annual accounts.

⁽³⁾ Including administrative provisions.

⁽⁴⁾ This item shall be used in case of outsourced banknote production (for the cost of the services provided by external companies in charge of the production of banknotes on behalf of the central banks). It is recommended that the costs incurred in connection with the issue of euro banknotes should be taken to the profit and loss account as they are invoiced or otherwise incurred.