



## 5. Annexes

### 5.1 List of BCL circulars published in 2008

- **BCL Circular No 2007/203 of 2 May 2007** – Surveys on foreign direct investment – sent to all credit institutions as well as to the financial services of the Postal and Telecommunications Services Company (giro accounts service).
- **BCL Circular No 2007/204 of 20 August 2007** – Cyprus and Malta's adoption of the Euro, as from 1st January 2008 - sent to all Undertakings for Collective Investment (UCI).
- **BCL Circular No 2007/205 of 20 August 2007** – Cyprus and Malta's adoption of the Euro, as from 1st January 2008 - sent to all credit institutions.
- **BCL Circular No 2007/206 of 20 August 2007** – Cyprus and Malta's adoption of the Euro, as from 1st January 2008: Impact over the statistical statements referring to the balance of payments – sent to all credit institutions as well as to the financial services of the Postal and Telecommunications Services Company (giro accounts service).
- **BCL Circular No 2007/207 of 1 October 2007** – Amendments to the BCL's general terms and conditions – sent to all credit institutions as well as to the financial services of the Postal and Telecommunications Services Company (giro accounts service).
- **BCL Circular No 2007/208 of 8 October 2007** – Dates of submission of statistical reports to the BCL, and determination of the periods of holding minimum reserves in 2008 – sent to all credit institutions.
- **BCL Circular No 2007/209 of 8 October 2007** – Dates of submission of statistical reports to the BCL in 2008 – sent to all Luxembourg-based Undertakings for Collective Investment (UCI).
- **BCL Circular No 2007/210 of 16 October 2007** – Balance of payments reporting – Modification of the instructions – sent to all credit institutions as well as to the financial services of the Postal and Telecommunications Services Company (giro accounts service).
- **BCL Circular No 2007/211 of 15 October 2007** – New statistical data collection for investment funds - modification of the statistical data collection for money market funds – sent to all Luxembourg-based Undertakings for Collective Investment (UCI).
- **BCL Circular No 2007/212 of 7 November 2007** – Updated instructions for the collection of statistical data at the BCL – sent to all credit institutions.
- **BCL Circular No 2007/213 of 7 November 2007** – Balance of payments reporting – New statistical data collection for investment funds; Modification of the statistical data collection for money market funds - sent to all credit institutions.
- **BCL Circular No 2007/214 of 16 November 2007** – Amendments to the BCL's general terms and conditions – sent to all credit institutions as well as to the financial services of the Postal and Telecommunications Services Company (giro accounts service).
- **BCL Circular No 2007/215 of 14 December 2007** – Amendments to the BCL's general terms and conditions – sent to all credit institutions as well as to the financial services of the Postal and Telecommunications Services Company (giro accounts service).
- **BCL Circular No 2007/216 of 28 December 2007** – Transmission of statistical data to the BCL by means of telecommunications – sent to all credit institutions.

### 5.2 BCL Publications

#### BCL Working Papers

- *Working Paper N°24, April 2007*  
"Mesure de la vulnérabilité du secteur bancaire luxembourgeois", by Abdelaziz Rouabah
- *Working Paper N°25, April 2007*  
"Co-variation des taux de croissance sectoriels au Luxembourg : l'apport des corrélations conditionnelles dynamique", by Abdelaziz Rouabah

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- *Working Paper N°26, May 2007*  
"Commuters, residents and job competition in Luxembourg", by Olivier Pierrard
- *Working Paper N°27, June 2007*  
"Banking Output & Price Indicators from Quarterly Reporting Data", by Abdelaziz Rouabah
- *Working Paper N°28, November 2007*  
"An analysis of regional commuting flows in the European Union", by Jordan Marvakov and Thomas Y. Mathä

### *External Publications of BCL Staff*

- Olivier Pierrard, "Microeconomic Uncertainty and Macroeconomic Indeterminacy", with J-F. With J-F. Fagnart and H. Sneessens, In *European Economic Review* 2007, 51(6), p. 1564-1588
- Abdelaziz Rouabah, "L'inflation et la Rentabilité des actions: Une Relation Enigmatique et un Casse-tête pour les banques centrales", in *Economie et Prévision*, 2007, N°177, p 19-34

### *BCL Brochures*

- Brochure des produits numismatiques de la Banque centrale du Luxembourg, édition 2007
- "Chronique de l'immeuble Monterey", René Link, January 2007
- "Exposition Monnaies Greques- Monnaies Celtes", January 2007

### *BCL Information Material on the Euro*

#### *General Conditions for the BCL's operations*

Paper copies of publications may be obtained at then BCL's counters as long as stocks last and according to the BCL's conditions. The BCL's publications may be downloaded from the website [www.bcl.lu](http://www.bcl.lu).



## 5.3 Statistics series of the BCL

Statistical tables listed under are available on the BCL's website ("Statistics") and are regularly updated. These tables are also published in the BCL's bulletin in French

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## 5.4 List of abbreviations

<b>ABBL</b>	<i>Association des Banques et Banquiers, Luxembourg</i>
<b>AGDL</b>	Association pour la garantie de dépôts, Luxembourg
<b>ALCO</b>	Asset and liability management committee
<b>BCL</b>	<i>Banque centrale du Luxembourg</i>
<b>BIS</b>	Bank of international settlements
<b>BLEU</b>	Belgian Luxembourg Economic Union
<b>BNB</b>	<i>Banque Nationale de Belgique</i>
<b>CBL</b>	Clearstream Banking Luxembourg
<b>CCBM</b>	Correspondent central banking model
<b>CERS</b>	Committee European Securities Regulators
<b>CPI</b>	Consumer Price Index
<b>CMFB</b>	Committee on monetary, financial and balance of payment statistics
<b>CSSF</b>	<i>Commission de surveillance du secteur financier</i>
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>ECB</b>	European Central Bank
<b>EFC</b>	Economic and Financial Committee
<b>EIB</b>	European Investment Bank
<b>EMI</b>	European Monetary Institute (1994-1998)
<b>EMS</b>	European Monetary System
<b>ESCB</b>	European System of Central Banks
<b>ESP</b>	European Service Providers
<b>EU</b>	European Union
<b>EUR</b>	Euro
<b>Eurostat</b>	Statistical office of the European Communities
<b>FATF</b>	Financial Action Task Force against money laundering
<b>FASP</b>	Financial sector Assessment Program
<b>GDP</b>	Gross domestic product
<b>HICP</b>	Harmonised Index of Consumers Prices
<b>IADB</b>	Inter American Development Bank
<b>IGC</b>	Intergovernmental conference

<b>IMF</b>	International Monetary Fund
<b>IML</b>	<i>Institut Monétaire Luxembourgeois (1983-1998)</i>
<b>LIPS-Gross</b>	Luxembourg inter bank payment system real-time Gross Settlement System
<b>LIPS-Net</b>	Luxembourg Interbank Payment System Real-Time Net Settlement System
<b>MFI</b>	monetary financial institution
<b>MRA</b>	maximum risk allowance
<b>MRO</b>	main refinancing operation
<b>NAV</b>	net asset value
<b>NCB</b>	National central bank
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>OFI</b>	Other Financial Intermediaries
<b>OPEC</b>	Organisation of Petroleum Exporting Countries
<b>LTRO</b>	Longer term refinancing operation
<b>PBO</b>	Projected Benefit Obligation
<b>ROA</b>	Return on Assets
<b>ROE</b>	Return on Equity
<b>RTGS system</b>	Real-Time Gross Settlement system
<b>RTGS-L GIE</b>	Economic interest grouping for real-time gross settlement of payments in Luxembourg
<b>SDDS</b>	Special Data Dissemination Standard
<b>SDR</b>	Special Drawing Rights
<b>SEC</b>	European System of National Accounts
<b>SWIFT</b>	Society for Worldwide Interbank Financial Telecommunication s.c.
<b>SYPAL-GIE</b>	Economic interest grouping for the promotion and management of payments systems in Luxembourg
<b>STATEC</b>	Central service for statistics and economic studies
<b>Target System</b>	Trans-European Automated Real-time Gross settlement Express Transfer system
<b>UCI</b>	Undertaking for Collective Investment
<b>UCITS</b>	Undertaking for Collective Investments in Transferable Securities
<b>VaR</b>	Value at Risk

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## 5.5 Glossary<sup>1</sup>

**Acquis communautaire:** Term commonly used to all community law including EU treaties, regulations and directives, Countries joining the EU must have implemented the existing equips communautaire by the time of accession.

**Base effect:** When analyzing business cycles, the evolution of annual variation rates of a variable are often explained by "base effects", A base effect occurs when the evolution of a variable's annual rate from month t+1 varies because of the evolution of the variable's level 12 months before and not because of the variation of the variable's level between month and month n+1.

**Central securities depository (CSD):** An entity which holds and administers securities or other financial assets and enables securities transactions to be processed by book entry, assets may exist either physically (but immobilized within the CSD) or in a dematerialized form (i.e. only as electronic records).

**Counter trade/ counterparty:** The opposite party in a financial transaction.

**Credit Institution:** Any institution covered by the definition contained in Article 1(1) of Directive 2000/12/EC, as amended. Accordingly, a credit institution is "(I) an undertaking whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account; or (ii) an undertaking or any other legal person, other than those under (I), which issues means of payment in the form of electronic money." The most common types of credit institutions are banks and savings banks. See also electronic money (e-money).

**Correspondent central banking model (CCBM):** A mechanism established by the European System Central Banks with the aim of enabling counterparties to obtain credit from the central bank of the country in which they are based using collateral held's in another country. In the CCBM, an NCB acts as custodian for the other NCBs with regard to the securities held's in its domestic securities settlement system (SSS).

**Consolidated MFI balance sheet:** This is obtained by netting out inter-MFI positions (e.g. inter-MFI loans and deposits) on the aggregated MFI balance sheet, It provides statistical information on the MFI sector's assets and liabilities statistical information on the MFI sector's assets and liabilities vis-à-vis non MFI Euro area residents (i.e. general government and other Euro area residents) and on its external assets and liabilities (i.e. balance vis-à-vis non Euro area residents). This consolidated balance sheet is the main statistical source for the calculation of monetary aggregates and it provides the basic for the regular analysis of the counterparts of M3.

**Economic and Monetary Union (EMU):** The treaty describes the process of achieving EMU in the European Union (EU) in three stages. Stage three started on 1 January 2002 completed the set-up of EMU.

**European Central Bank (ECB):** The ECB lies at centre of the European System of Central Banks (ESCB) and the Eurosystem and has legal personality under Community law. It ensures that the tasks conferred upon the Eurosystem and the ESCB are implanted either through its own activities or the national central banks, pursuant to the statutes of the European of Central Banks of Central Banks and of the European central Bank. The ECB is governed by the Governing Council and the Executive Boards, and, as a third decision-making body, by the General Council.

**EURIBOR (Euro interbank offered rate):** The rate at which a prime bank is willing to lend funds in Euro to another prime bank.

**Euro:** The name of the European single currency adopted by the European council at its meeting in Madrid on 15 and 16 December 1995 and used instead of the term ECU originally employed in the Treaty.

**Euro Area:** The Area encompassing the EU Member states which have adopted the Euro as their single currency in accordance with the Treaty and in which a single monetary policy is conducted under the responsibility of the governing council of the European Central Bank. The

<sup>1</sup> A comprehensive and detailed glossary can be found on the ECB's website.



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Governing Council of the European Central Bank. The Euro area currently comprises of Belgium, Germany, Greece, Spain, France, Ireland, Italy, and Luxembourg. The Netherlands, Austria, Portugal, Slovenia and Finland.

### **Effective exchange rate (EER) of the Euro (nominal/real):**

Effective (nominal/real) exchange rates (EERs):

Nominal EERs consist of a geometric weighted average of various bilateral exchange rates. Real EERs are nominal EERs deflated by a weighted average of foreign, relative to domestic, prices or costs. They are thus measures of price and cost competitiveness. The European Central Bank calculates nominal EER indices for the Euro against the currencies of a narrow and a broad group of trading partners of the Euro area. Since January 2001, the narrow group has consisted of 12 industrial and newly industrialized partner countries, while the broad group has been made up of 38 trading partners including emerging market and transition economies. The real EER indices for the Euro are calculated using alternative measures of prices and costs.

**Eurosystem:** Comprises of the European Central Bank (ECB) and the national central banks (NCBs) of the member states which have adopted the euro in stage three of Economic and Monetary Union (see also Euro area). The eurosystem is governed by the Governing Council and the Executive Board of the ECB.

**European System of Central Banks (ESCB):** Composed of the European Central bank (ECB) and the national central banks of all EU member states. The ESCB includes, in addition to the member states which have not yet adopted the Euro in stage three of Economic and Monetary Union (see also Euro area). The Euro system is governed by the Governing Council and the Executive board of the ECB.

**Electronic money (e-money):** An electronic store of monetary value on a technical device that may be widely used as prepaid bearer instrument for making payments to undertakings other than the issuer, without necessarily involving bank accounts in the transactions.

**Executive board:** Second decision-making body of the European Central Bank (ECB). It comprises the president and the vice-president of the ECB and four other members appointed by common accord by the Heads of state or Government of the Member States that have adopted the Euro.

**ERM II (Exchange rate mechanism II):** The exchange rate arrangement which provides the framework for exchange rate policy cooperation between the Euro areas from the start of stage three of Economic and Monetary Union. Membership of the mechanism is voluntary. Nevertheless, member states with derogation are expected to join the mechanism. Foreign exchange intervention and financing at the margins of the standard or narrower fluctuation bands are, in principle, automatic and unlimited, with very short-term financing available. The European central bank and the participating non-Euro area national central banks could, however, suspend automatic intervention if this were to conflict with their primary objective of maintaining price stability.

**European Monetary Institute (EMI):** A temporary institution established at the start of stage two of Economic and Monetary Union on 1 January 1994. The two main tasks of the EMI were to strengthen central bank co-operation and monetary policy co-ordination and to make the preparations required for establishment of the European System of Central Banks, for the conduct of the single monetary policy and for the creation of a single currency in stage three. It went into liquidation upon the establishment of the European Central Banks on 1 June 1998.

**Eurosystem's international reserves:** These comprise the reserve assets of the European Central Bank (ECB) and the reserve assets held by the national central banks (NCBs) of the participating Member States. Reserve assets must be under the effective control of the relevant monetary authority, whether the ECB or the NCB of one of the participating Member States, and comprise highly liquid, marketable and creditworthy foreign (i.e. non-euro) currency-denominated claims on non-Euro area residents, plus gold, special drawing rights and the reserve positions in the International Monetary Fund of the participating NCBs.

Foreign exchange swap: Simultaneous spot and forward transactions exchanging one currency against another. The can execute open market operations in the form of foreign exchange swaps, where the national central banks (or the European central bank) buys or sells Euro spot against a foreign currency and, at the same time, sell or buy them back in forward transaction.

**General council:** One of the decision-making bodies of the European Central Bank (ECB). It comprises of the members of the executive boards of the ECB and the governors of the national central banks of the member states that have adopted the Euro.

**Governing council:** The supreme decision-making body of the European Central Bank (ECB). It comprises of all the members of the executive Board of the ECB and the governors of the national central banks of the member states that have adopted the Euro.(e.g. any party transacting with a central bank).

**Guarantee:**

Harmonized index of the consumer prices (HICP): The measures of prices used by the governing council for the purpose of assessing price stability. The HICP was developed by the European Commission (Eurostat) in close developed by the national Statistical institutes and the European Monetary Institute, and later the European Central Bank, in order to fulfill the Treaty requirement for a consumer on a comparable.

**Longer- term refinancing operation:** A regular open market operation executed by the Eurosystem in the form of a reverse transaction, Longer-term refinancing operations are carried out thought monthly standard tenders and have a maturity of three months.

**Main Refinancing Operation:** A regular open market operation executed by the Eurosystem (in the form of a reverse transaction) for the purpose of providing the banking system with the amount of liquidity that the former deems to be appropriate. Main refinancing operations are conducted through weekly standard tenders (in which banks can bid for liquidity) and normally have a maturity of one week. See also open market operation.

**Marginal lending facility:** A standing facility of the Eurosystem which counterparties may use to receive overnight credit from a national central bank at a pre-specified interest rate against eligible assets.

**Monetary financial institutions (MFIs):** Financial institutions which from the money-issuing sector of the Euro area. Theses include the Eurosystem, resident credit institutions (as defined in community law) and all other resident financial institutions whose business in to revive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms) to grant credit and/or invest in securities, The latter group consists predominantly of money market funds basis, taking into account differences in national definitions.

**M1, M2, M3:** See monetary aggregates

**Monetary aggregates:** Currency in circulation, plus outstanding amounts of certain liabilities of monetary financial institutions and central governments that have a relatively high degree of liquidity and are held by non-MFI Euro area residents outside the central government sector. The narrow monetary aggregate M1 has been defined as currency in circulation plus overnight deposits. The "intermediate" monetary aggregate M2 comprises of M1 plus deposits with agreed maturity of up to two years and deposits redeemable at notice of up to three months. to broad monetary aggregate M3 includes M2 plus repurchase agreements, money market funds shares and units, money market paper and debt securities with a maturity of up to two years, In October 1998 the Governing Council announced a reference value for the growth of M3, which it has since reconfirmed (see also reference value for monetary growth).

**Open market operation:** An operation executed on the initiative of the central bank in the financial markets. With regard to their aims, regularity and procedures, Eurosystem open market operations can be divided into four categories: Main refinancing operations; longer-term refinancing operations; fine tuning operations; and structural operations; As for the instrument used, reserve transactions are the main open market instrument of the European and can be employed in all four categories of operations. In addition, the issuance

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

**Outright transaction:** A transaction whereby assets are bought or sold up to their maturity (spot or forward).

**Price stability:** The maintenance of price stability is the primary objective of the European Central Bank. In October 1998, the governing council published a quantities definition of price stability in order to give clear guidance to expectations of future price developments and to be accountable. The Governing Council defined price stability as a year-on-year increase in the Harmonized Index of Consumer Prices (HICP) for the Euro area of below 2%. In May 2003, the governing council announced clarified that, in its pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

**Provisional transfer:** A conditional transfer in which one or more parties retain the right by law or agreement to rescind the transfer.

**Quick tender:** The tender procedure used by the Eurosystem for fine-tuning operations, Quick tenders are executed within a time frame of one hour and are restricted to limited set of counterparties.

**Real Time Gross Settlement express transfer system:** The real-time gross settlement (RTGS) system for the Euro. It is a decentralized system consisting of 15 national RTGS systems and the European Central Bank payment mechanism. These are interconnected by common procedures (Interlinking mechanism) to allow cross-border transfers throughout the EU to move from one system to another.

**Reserve requirement:** The minimum amount of reserves a credit institution is required to hold with a central bank. In the minimum reserve framework of the Eurosystem, the reserve requirement of a credit institution is calculated by multiplying the reserve ratio for each category of items in the reserve base by the amount of those items on the institution's balance sheet. In

addition, institutions are allowed to deduct a lump-sum allowance from their reserve requirement.

**Reserve ratio:** The ratio defined by the central bank for each category of eligible balance sheet items included in the reserve base. The ratios are used to calculate reserve requirements. See also reserve requirements.

**Reference value for monetary growth:** In order to assess monetary developments, the Governing Council has announced a reference value for the broad monetary aggregate M3. This reference value refers to the rate of M3 growth that is deemed to be compatible with price stability over the medium term. The reference value is derived in a manner that is consistent with and serves the achievement of the Governing Council's definition of price stability on the basis of medium-term assumptions regarding trend real GDP growth and the trend in the velocity of circulation of M3. Substantial or prolonged deviations of M3 growth from the reference value would, under normal circumstances, signal risks to price stability over the medium term. However, the concept of the reference value does not entail a commitment on the part of the Governing Council to correct mechanically deviations of M3 growth from the reference value.

**Reserve base:** The sum of the balance sheet items (in particular liabilities) which constitute the basis for calculating the reserve requirement of a credit institution.

**Standing facility:** A central bank facility available to counterparties on their own initiative. The Eurosystem offers two overnight standing facilities: the marginal lending facility and the deposit facility.

**Standardized deduction:** The fixed percentage of the amount outstanding of debt securities with an agreed maturity of up to two years (including money market paper) which can be deducted from the reserve base by issuers that cannot present evidence that such outstanding amount is held by other institutions subject to the minimum reserve system of the Eurosystem, by the ECB or by a national central bank. See also reserve base.

**Standard Tender:** A tender procedure used by the Euro system in its regular Open market operations standard tenders are carried out within 24 hours, All counterparties fulfilling the general eligibility criteria are entitled to submit bids.

**Securities settlement system (SSS):** A system which permits the holding and transfer of securities or other financial assets, either free of payment or against payment (delivery versus payment).

**SEC 95:** The European System of National Accounts is an accounting framework applicable on an international level and allowing to describe in a systematic and detailed way what is called a "total economy" (i.e. a region, a country, a group of countries), its components and its relations with other total economies.

**TARGET (Trans-European Automated Real-time Gross settlement Express Transfer system):** The real-time gross settlement (RTGS) system for the Euro. It is a decentralized system consisting of 15 national RTGS systems and the European Central Bank payment mechanism. These are interconnected by common procedures (Interlinking mechanism) to allow cross-border transfers throughout the EU to move from one system to another.

**Target 2:** A new generation of the Target system which replaces the former decentralized system consisting structure with a single shared platform offering a harmonized service with a uniform pricing scheme.

**Treaty:** The treaty establishing the European Community. The initial treaty of the Rome was amended on several occasions, notably by the treaty on European Union (Maastricht Treaty) which constitutes the basis for Economic and Monetary Union and defines the status of the ESCB.

