





03

ANNEXES

3 ANNEXES

3.1 ECB LEGAL ACTS PUBLISHED IN 2018

Payment systems

In the field of payment systems, the ECB has, in particular, adopted the following legal acts:

- Guideline (EU) 2018/1626 of the European Central Bank of 3 August 2018 amending Guideline ECB/2012/27 on a Trans-European Automated Real-time Gross settlement Express Transfer System (TARGET2) (ECB/2018/20);
- Decision (EU) 2018/1625 of the European Central Bank of 8 October 2018 amending Decision ECB/2007/7 on the terms and conditions of TARGET2-ECB (ECB/2018/24).

Monetary policy and reserve management

In the field of monetary policy, the ECB has, in particular, adopted the following legal acts:

- Guideline (EU) 2018/570 of the European Central Bank of 7 February 2018 amending Guideline (EU) 2015/510 on the implementation of the Eurosystem monetary policy framework (ECB/2018/3);
- Guideline (EU) 2018/571 of the European Central Bank of 7 February 2018 amending Guideline (EU) 2016/65 on valuation haircuts applied in the implementation of the Eurosystem monetary policy framework (ECB/2018/4);
- Decision (EU) 2018/1148 of the European central Bank of 10 August 2018 on the eligibility of marketable debt instruments issued or fully guaranteed by the Hellenic Republic and repealing Decision (EU) 2016/1041 (ECB/2018/21);
- Guideline (EU) 2018/572 of the European Central Bank of 7 February 2018 amending Guideline ECB/2014/31 on additional temporary measures relating to Eurosystem refinancing operations and the eligibility of collateral (ECB/2018/5);
- Guideline (EU) 2018/797 of the European Central Bank of 3 May 2018 on the Eurosystem's provision of reserve management services in euro to central banks and countries located outside the euro area and to international organisations (ECB/2018/14).

Banking supervision

In the field of banking supervision, the ECB has, in particular, adopted the following legal acts:

- Regulation (EU) 2018/1845 of the European Central Bank of 21 November 2018 on the exercise of the discretion under Article 178(2)(d) of Regulation (EU) No 575/2013 in relation to the threshold for assessing the materiality of credit obligations past due (ECB/2018/26);
- Decision (EU) 2018/228 of the European Central Bank of 13 February 2018 amending Decision (EU) 2017/936 nominating heads of work units to adopt delegated fit and proper decisions (ECB/2018/6);
- Decision (EU) 2018/546 of the European Central Bank of 15 March 2018 on delegation of the power to adopt own funds decisions (ECB/2018/10);
- Decision (EU) 2018/547 of the European Central Bank of 27 March 2018 nominating heads of work units to adopt delegated own funds decisions (ECB/2018/11);
- Decision (EU) 2018/667 of the European Central Bank of 19 April 2018 on the total amount of annual supervisory fees for 2018 (ECB/2018/12);
- Recommendation of the European Central Bank of 28 December 2017 on dividend distribution policies (ECB/2017/44).

Statistics

In the field of statistics, the ECB has, in particular, adopted the following legal acts:

- Regulation (EU) 2018/231 of the European Central Bank of 26 January 2018 on statistical reporting requirements for pension funds (ECB/2018/2);
- Regulation (EU) 2018/318 of the European Central Bank of 22 February 2018 amending Regulation (EU) No 1011/2012 concerning statistics on holdings of securities (ECB/2018/7);
- Guideline (EU) 2018/323 of the European Central Bank of 22 February 2018 amending Guideline ECB/2013/7 concerning statistics on holdings of securities (ECB/2018/8);
- Guideline (EU) 2018/861 of the European Central Bank of 24 April 2018 amending Guideline ECB/2013/23 on government finance statistics (ECB/2018/13);
- Guideline (EU) 2018/876 of the European Central Bank of 1 June 2018 on the Register of Institutions and Affiliates Data (ECB/2018/16);
- Guideline (EU) 2018/877 of the European Central Bank of 1 June 2018 amending Guideline ECB/2014/15 on monetary and financial statistics (ECB/2018/17);
- Guideline (EU) 2018/1151 of the European Central Bank of 2 August 2018 amending Guideline ECB/2011/23 on the statistical reporting requirements of the European Central Bank in the field of external statistics (ECB/2018/19);
- Regulation (EU) 2019/113 of the European Central Bank of 7 December 2018 amending Regulation (EU) No 1333/2014 concerning statistics on the money markets (ECB/2018/33).

3.2. BCL REGULATIONS PUBLISHED IN 2018

2018/N°25 of 23 July 2018

Regulation of the Banque centrale du Luxembourg 2018/N°25 of 23 July 2018 on the collection and remittance of euro banknotes by credit institutions and the financial services of the *Entreprise des Postes et Télécommunications*.

Domain: Statistics

2018/N° 24 of 16 April 2018

Regulation of the Banque centrale du Luxembourg 2018/N°24 of 14 April 2019 on the implementation of certain provisions of Guideline ECB/2018/3 of 7 February 2018 amending Guideline (EU) 2015/510 on the implementation of the Eurosystem monetary policy framework (Guideline on the General Documentation [ECB/2014/60]).

Domain: Monetary policy

2018/N° 23 du 16 April 2018

Regulation of the Banque centrale du Luxembourg 2018/N°23 of 16 April 2019 on the amendment of the Regulation of the Banque centrale du Luxembourg 2014/N°18 of 21 April 2014 implementing Guideline ECB/2014/31 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral.

Domain: Monetary policy

For a complete list of regulations published by the BCL, please visit the BCL's website (www.bcl.lu).

3.3 LIST OF BCL CIRCULARS PUBLISHED IN 2018

Circular n° 241 of 18 May 2018

New statistical data collection for non-regulated alternative investment funds - to all non-regulated alternative investment funds.

For a complete list of circulars published by the BCL, please visit the BCL's website (www.bcl.lu).

3.4 LIST OF BCL PUBLICATIONS PUBLISHED IN 2018

3.4.1 BCL bulletins

- BCL Bulletin 2018/1, April 2018
- BCL Bulletin 2018/2, July 2018
- BCL Bulletin 2018/3, January 2019

For a complete list of bulletins published by the BCL, please visit the BCL's website (www.bcl.lu).

3.4.2 BCL annual report

- Annual Report 2017, French version, July 2018
- Annual Report 2017, English version, September 2018

For a complete list of annual reports published by the BCL, please visit the BCL's website (www.bcl.lu).

3.4.3 BCL working papers

- Working Paper n° 124, December 2018
Short-time work in the great recession: firm-level evidence from 20 EU countries, by Reamonn Lydon, Thomas Y. Mathä and Stephen Millard.
- Working Paper n° 123, September 2018
Predetermined interest rates in an analytical RBC model, by Patrick Fève, Alban Moura and Olivier Pierrard.

- Working Paper n° 122, July 2018
LU-EAGLE: A DSGE model for Luxembourg within the euro area and global economy, by Alban Moura and Kyriacos Lambrias.
- Working Paper n° 121, July 2018
Stress testing household balance sheets in Luxembourg, by Gastón Giordana and Michael Ziegelmeier.
- Working Paper n° 120, April 2018
What Place does Luxembourg hold in Global Value Chains?, by Gabriele Di Filippo.
- Working Paper n° N° 119, April 2018
The Cross-border Household Finance and Consumption Survey: Results from the second wave, by Thomas Y. Mathä, Giuseppe Pulina and Michael Ziegelmeier.
- Working Paper n° 118, February 2018
How Much Does Book Value Data Tell Us about Systemic Risk and Its Interactions with the Macroeconomy? A Luxembourg Empirical Evaluation, by Xisong Jin.
- Working Paper n° 117, February 2018
Housing Prices and Mortgage Credit in Luxembourg, by Sara Ferreira Filipe.
- Working Paper n° 116, February 2018
Chained Financial Frictions and Credit Cycles, by Federico Lubello, Ivan Petrella and Emiliano Santoro.
- Working Paper n° 115, February 2018
Monetary Theory Reversed: Virtual Currency Issuance and Miners' Remuneration, by Luca Marchiori.

For a complete list of working papers published by the BCL, please visit the BCL's website (www.bcl.lu).

3.4.4 BCL brochures

- La Banque centrale du Luxembourg, French version, January 2018
- The Banque centrale du Luxembourg, English version, April 2018
- Die Banque centrale du Luxembourg, German version, April 2018
- Brochure of the BCL's numismatic products (2018)

3.4.5 Information material about the security features of Euro banknotes and coins

For a complete list of the information material concerning the security features of Euro banknotes and coins, please visit the BCL's website (www.bcl.lu).

3.4.6 Publications and external presentations of BCL staff

3.4.6.1 External publications of the BCL's staff members

- Efstathiou, K. and T.Y. Mathä, C. Veiga and L. Wintr (2018): "Short-time work in Luxembourg: Evidence from a firm survey", *Journal of Labour Market Research*, 52(1):14.
- Fève, P., A. Moura and O. Pierrard (2018): "Predetermined interest rates in an analytical RBC model", *Economics Letters* 172: 12-15.
- Marchiori, L., P. Pieretti and B. Zou (2018): "Immigration, occupational choice and public employment", *Annals of Economics and Statistics*. 131: 83-116.

- Mathä, T.Y., A. Porpiglia and M. Ziegelmeyer (2018): “Wealth differences across borders and the effect of real estate price dynamics: Evidence from two household surveys”, *Journal of Income Distribution* 26(3): 15-49.
- Moura, A. (2018) “Investment Shocks, Sticky Prices, and the Endogenous Relative Price of Investment”, *Review of Economic Dynamics* 27: 46-63.

3.4.6.2 External presentations

- *Household Finance and Consumption Network Meeting*, Frankfurt, Germany, 19-21 novembre 2018.
- *Labour Market Workshop*, Banque centrale du Luxembourg, 25-26 October 2018.
- *30th annual conference of the European Association of Labour Economists*, Lyon, France, 12-15 September 2018.
- *6th Luxembourg Household Finance and Consumption Workshop*, Banque centrale du Luxembourg, 21-22 June 2018.
- Seminar, Université Paris-Evry, 31 May 2018.
- *EUI-nomics: debating the economic conditions in the euro area and beyond*, Florence, Italy, 27 April 2018.
- *22nd Conference “Theories and Methods in Macroeconomics” (T2M)*, Paris-Dauphine, 15-16 March 2018.
- Réunion du Comité pour la protection du consommateur financier, Commission de Surveillance du Secteur Financier, 23 January 2018.

3.5 EUROPEAN CENTRAL BANK PUBLICATIONS

For a complete list of documents published by the European Central Bank, as well as for the translated versions in all official languages of the European Union, please visit the ECB’s website www.ecb.int.

ORDER: European Central Bank
Postfach 160319
D-60066 Frankfurt am Main
<http://www.ecb.int>

3.6 MONETARY, ECONOMIC AND FINANCIAL STATISTICS PUBLISHED ON THE WEBSITE OF THE BCL

1 Monetary policy statistics

- 1.1 Financial statement of the Banque central du Luxembourg
- 1.2 Luxembourg minimum reserve statistics

2 Monetary and financial developments in the euro area and Luxembourg

- 2.1 Aggregated balance sheet of the Luxembourg MFIs (excluding the Banque centrale du Luxembourg)
- 2.2 Liabilities of the Luxembourg MFIs included in the euro area monetary aggregates

3 Capital markets and interest rates

- 3.1 Luxembourg bank interest rates on euro-denominated deposits and loans by euro area residents - new business
- 3.2 Luxembourg bank interest rates on euro-denominated deposits and loans by euro area residents - outstanding amounts
- 3.3 Money market interest rates
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 - 4.3 Costs indicators and terms of trade

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 - 5.2 Selected other real economy indicators
 - 5.3 Labour market indicators - Employment and unemployment
 - 5.4 Labour market indicators - Employment breakdown
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3.6 LIST OF ABBREVIATIONS

ABBL	Association des Banques et Banquiers, Luxembourg
ABS	Asset-Backed Securities
ATTF	Agence de transfert de technologie financière (<i>Luxembourg Agency for the Transfer of Financial Technology</i>)
BCL	Banque centrale du Luxembourg
BIS	Bank for International Settlement
CCBM	Correspondent central banking model
CETREL	Centre des transferts électroniques Luxembourg (<i>Center for Electronic Transfers Luxembourg</i>)
CLS	Continuous linked settlement
CPMI	Committee on Payments and Market Infrastructure
CPSS	Committee on Payment and Settlement
CRD	Capital Requirement Directive
CRR	Capital Requirement Regulation
CSD	Central Securities Depositories
CSSF	Commission de surveillance du secteur financier
EBA	European Banking Authority
ECAF	Eurosystem Credit Assessment Framework
ECB	European Central Bank
EFC	Economic and Financial Committee
EFSS	European Financial Stability Facility
EIB	European Investment Bank
EMU	Economic and Monetary Union
EPC	European Payments Council
ESCB	European System of Central Banks
ESM	European Stability Mechanism
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
EU	European Union
EUR	Euro
EUROSTAT	Statistical office of the European communities
FSB	Financial Stability Board
GDP	Gross Domestic Product
IMF	International Monetary Fund
IML	Institut Monétaire Luxembourgeois
IOSCO	International Organization of Securities Commissions
LCR	Liquidity Coverage Ratio
LFF	Luxembourg for Finance
LSF	Luxembourg School of Finance
LTRO	Longer-Term Refinancing Operations
LU	Luxembourg
MRA	Maximum Risk Allowance
MRO	Main Refinancing Operations
NCB	National Central Banks
NSFR	Net Stable Funding Ratio
OECD	Organisation for Economic Cooperation and Development
PBC	People's Bank of China
SDR	Special Drawing Rights
SEPA	Single European Payment Area
SSM	Single Supervisory Mechanism
SSS	Securities settlement system
STATEC	Institut national de la statistique et des études économiques (<i>National Institute for Statistics and Economic Studies</i>)

TARGET	Trans-European Automated Real-time Gross settlement Express Transfer system
TFEU	Treaty on the Functioning of the European Union
UCI	Undertaking for Collective Investments
UCITS	Undertaking for Collective Investments in Transferable Securities
USD	US Dollar

3.7 GLOSSARY

Balance of payments (b.o.p.): a statistical statement that summarises, for a specific period of time, the economic transactions of an economy with the rest of the world. The transactions considered are those involving goods, services and incomes; those involving financial claims on, and liabilities to, the rest of the world; and those (such as debt forgiveness) that are classified as transfers.

Central securities depository (CSD): an entity that (i) enables securities transactions to be processed and settled by book entry, and (ii) provides custodial services (e.g. the administration of corporate actions and redemptions), and (iii) plays an active role in ensuring the integrity of securities issues. Securities can be held in physical (but immobilised) form or in dematerialized form (whereby they exist only as electronic records).

Collateral: assets pledged or otherwise transferred (e.g. by credit institutions to central banks) as a guarantee for the repayment of loans, as well as assets sold (e.g. by credit institutions to central banks) under repurchase agreements.

Corporate sector purchase programme (CSPP): On 10 March 2016, the Governing Council decided to establish a new programme to purchase investment-grade euro-denominated bonds issued by non-bank corporations established in the euro area with the aim of further strengthening the pass-through of the conventional policy measures to the real economy by improving directly the financing conditions of the euro area companies.

Correspondent Central Banking Model (CCBM): a mechanism established by the European System of Central Banks with the aim of enabling counterparties to use eligible collateral on a cross-border basis. In the CCBM, NCBs act as custodians for one another. Each NCB has a securities account in its securities administration for each of the other NCBs (and for the European Central Bank).

Council of the European Union: the institution of the EU made up of representatives of the governments of the EU Member States, normally ministers responsible for the matters under consideration and the relevant European Commissioner (see also ECOFIN Council).

Counterparty: the opposite party in a financial transaction (e.g. any party transacting with a central bank).

Covered bond purchase programmes (CBPP, CBPP2 and CBPP3): an ECB programme, based on the decision of the Governing Council of 7 May 2009 to purchase euro-denominated covered bonds issued in the euro area in support of a specific financial market segment that is important for the funding of banks and was particularly affected by the financial crisis. The purchases under the programme were for a nominal value of 60 billion euro and they were fully implemented by 30 June 2010. On 6 October 2011 the Governing Council decided to launch a second covered bond purchase programme, the CBPP2. Between November 2011 and October 2012, a nominal amount of € 16.4 billion was purchased on the primary and secondary markets. The CBPP2 ended in November 2012. On 4 September 2014, the Governing Council decided to launch a new euro-denominated covered bonds purchase programme (CBPP3) in the primary and secondary markets.

CPMI-IOSCO: The Committee on Payments and Market Infrastructures (CPMI) promotes the safety and efficiency of payment, clearing and securities settlement related arrangements. The CPMI monitors and analyses developments in these arrangements and is a global standard setter in this area. It also serves as a forum for central bank cooperation in related oversight, policy and operational matters.

The International Organization of Securities Commissions (IOSCO) is a body that brings together the world's securities regulators. The organization develops among others internationally recognized standards of

regulation, oversight and enforcement aiming at protecting investors and promoting integrity of securities markets.

Credit institution: 1) an undertaking whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account; or 2) an undertaking or any other legal person, other than those under (1), which issues means of payment in the form of electronic money. The most common types of credit institutions are banks and saving banks. See also electronic money (e-money).

ECOFIN Council: Council of the European Union reuniting/meeting at the level of the ministers of economics and finance.

Economic and Financial Committee (EFC): a committee which contributes to the preparation of the work of the ECOFIN Council and the European Commission. Its tasks include reviewing the economic and financial situation of both Member States and the EU, and contributing to budgetary surveillance.

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.

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.

EURO1: Multilateral net payment system providing same-day settlement at a pan-European level. EURO1 is operated by EBA Clearing and settles large-value interbank payments in euro.

Euro area: the area encompassing those Member States which have adopted the euro as the 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 euro area currently comprises Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

Eurogroup: an informal gathering of the ministers of economy and finance of the EU Member States whose currency is the euro.

European Central Bank (ECB): the ECB lies at the centre of the Eurosystem and the European System of Central Banks (ESCB) and has its own legal personality in accordance with the Treaty (ARTICLE 282(3)). It ensures that the tasks conferred upon the Eurosystem and the ESCB are implemented either through its own activities or through those of the NCBs, pursuant to the Statute of the ESCB and the ECB. The Eurosystem and the SEBC are governed by the decision-making bodies of the ECB, i.e. by the Governing Council, by the Executive Board, and, as a third decision-making body, by the General Council.

European Financial Stabilisation Mechanism (EFSM): a European Union facility, based on Article 122(2) of the Treaty, enabling the Commission to raise up to € 60 billion on behalf of the European Union to finance loans to EU Member States experiencing serious difficulties or a serious threat of such difficulties due to exceptional events beyond their control. The loans thus granted are subject to strict conditionality under the joint programmes of the European Union and the IMF.

European Financial Stability Facility (EFSF): a limited liability company established by the euro area counterparties, on an intergovernmental basis, for the purpose of providing loans to the euro area countries in financial difficulties. Such financial assistance is subject to strong conditionality in the context of joint EU-IMF programmes. The EFSF has an effective lending capacity of €440 billion, and its loans are financed through the issuance of debt securities, guaranteed by euro area countries on a pro rata basis.

European Stability Mechanism (ESM): an organisation established by the euro area countries, on an intergovernmental basis, offering a permanent crisis management mechanism, which aims to provide emergency financial support to euro area countries in need with a view to safeguarding the financial stability of the euro area as a whole. Its effective lending capacity is €500 billion and is subject to strict conditionality.

European System of Central Banks (ESCB): composed of the European Central Bank (ECB) and the NCBs of all 28 EU Member States, i.e. it includes, in addition to the members of the Eurosystem, the NCBs of those Member States whose currency is not the euro. The ESCB is governed by the Governing Council and the Executive Board of the ECB, and, as a third decision-making body of the ECB, by the General Council.

European Systemic Risk Board (ESRB): an independent EU body responsible for the macro-prudential oversight of the financial system within the EU. It contributes to the prevention or mitigation of systemic risks to financial stability that arise from developments within the financial system, taking into account macroeconomic developments, so as to avoid periods of widespread financial distress.

Eurosystem: the central banking system of the euro area. It comprises the European Central Bank and the NCBs of the Member States that have adopted the euro.

Executive Board: one of the decision-making bodies of the ECB. It comprises the President and the Vice-President of the ECB and four other members appointed by the European Council, acting by a qualified majority, on a recommendation from the EU Council, after it has consulted the European Parliament and the ECB.

Expanded Asset Purchase Programme (APP): Following the first and second covered bond purchase programmes (CBPP and CBPP2) conducted respectively in 2009-10 and 2011-12, the expanded asset purchase programme (APP) includes all purchase programmes under which private sector securities and public sector securities are purchased to address the risks of a too prolonged period of low inflation. It consists of the third covered bond purchase programme (CBPP3), the asset-backed securities purchase programme (ABSPP), the public sector purchase programme (PSPP) and the corporate sector purchase programme (CSPP).

Fiduciary money: banknotes and coins having the status of legal tender.

Financial stability: condition in which the financial system- comprising financial intermediaries, markets and market infrastructures- is capable of with standing shocks and the unraveling of financial imbalances, thereby mitigating the likelihood of disruptions in the financial intermediation process which are severe enough to significantly impair the allocation of savings to profitable investment opportunities.

Fine-tuning operations: an open market operation executed by the Eurosystem in order to deal with unexpected liquidity fluctuations in the market. The frequency and maturity of fine-tuning operations are not standardised.

G10: The Group of Ten (G10) refers to the group of countries that have agreed to participate in the General Arrangements to Borrow (GAB), a supplementary borrowing arrangement that can be invoked if the IMF's resources are estimated to be below member's needs. The GAB was established in 1962, when the governments of eight IMF members—Belgium, Canada, France, Italy, Japan, the Netherlands, the United Kingdom, and the United States—and the central banks of two others, Germany and Sweden, agreed to make resources available to the IMF for drawings by participants and, under certain circumstances, for drawings by nonparticipants.

G20: The Group of Twenty (G20), refers to a group of key advanced and emerging market economies that was created in 1999, in response to the financial crisis in the late 1990s, to modernise the international financial architecture, strengthen policy coordination between its members, and promote financial stability. In recent years it has increasingly influenced the debate on the global economic and financial policy agenda.

The membership of the G20 comprises the G7 countries (Canada, France, Germany, Italy, Japan, United Kingdom and the United States), Argentina, Australia, Brazil, China, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey and the European Union, which is represented by the rotating Council Presidency and the European Central Bank.

Jointly G20 members represent about 85 per cent of global gross domestic product, over 75 per cent of global trade, and two-thirds of the world's population.

General Council: one of the decision-making bodies of the European Central Bank (ECB). It comprises the President and the Vice-President of the ECB and the governors of all the NCBs of the European System of Central Banks.

Governing Council: supreme decision-making body of the European Central Bank (ECB). It comprises all the members of the Executive Board of the ECB and the governors of the NCBs of the Member States that have adopted the euro.

Harmonised index of the consumer prices (HICP): a measure of the development of consumer prices that is compiled by Eurostat and harmonised for all EU Member states.

Key ECB interest rates: the interest rates, set by the Governing Council, which reflect the monetary policy stance of the European Central Bank. They are the rates on the main refinancing operations, the marginal lending facility and the deposit facility.

Longer-term refinancing operations: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a monthly standard tender and normally have a maturity of three months. During the financial market turmoil that started in August 2007, supplementary operations with maturities ranging from one maintenance period to one year were conducted, the frequency of which varied.

Main refinancing operations: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

MFIs (monetary financial institutions): financial institutions which together form the money issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined by Community law) and all other resident financial institutions whose business is to receive 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.

Open market operations: an operation executed on the initiative of a central bank to influence the financial market. 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 instruments used, reverse transactions are the main open market instrument of the Eurosystem and can be employed in all four categories of operations. In addition, the issuance of debt certificates and outright transactions are available for structural operations, while outright transactions, foreign exchange swaps and the collection of fixed-term deposits are available for the conduct of fine-tuning operations.

Outright Monetary Transactions (OMTs): transactions that aim to safeguard an appropriate monetary policy transmission and the singleness of the monetary policy in the euro area through purchases of euro area government bonds in the secondary market based on strict and effective conditionality.

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 Eurosystem. The Governing Council defines price stability as a year-on-year increase in the Harmonised Index of Consumer Prices for the euro area below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

Public sector purchase programme (PSPP): On 22 January 2015 the Governing Council expanded its scope of intervention by announcing a securities purchase programme in the public sector (PSPP) scheduled to start on 09 March 2015. The PSPP was the latest of a suite of asset purchase programmes (APP), which included the asset-backed securities (ABSPP) and the covered bonds (CBPP3), aimed at addressing the risk of a too prolonged period of low inflation.

The secondary market transactions conducted under the PSPP include high quality euro-denominated instruments issued by the euro area central governments - or by regional and local governments that meet all other eligibility criteria - or by eligible international or supranational institutions and agencies established in the euro area.

The share of purchases in a national central bank's home market is conducted in proportions reflecting the respective share of the national central bank in the ECB's capital key.

Additional eligibility criteria apply to countries subject to an EU-IMF macroeconomic adjustment programme.

Real-time gross settlement (RTGS) system: a settlement system in which processing and settlement take place on a transaction-by-transaction basis in real time (see also TARGET2).

SDR (Special Drawing Rights): The SDR was created by the IMF in 1969 as an international reserve asset to supplement its member countries' official reserves. Its value is currently based on a basket of four key international currencies: the euro, the Japanese yen, the pound sterling, and the US dollar. The SDR is neither a currency, nor a claim on the IMF. Rather, it is a potential claim on the freely usable currencies of IMF members.

Securities Markets Programme (SMP): a programme set up in May 2010 for conducting interventions in the euro area public and private debt securities markets to ensure depth and liquidity in dysfunctional market segments with a view to restoring an appropriate monetary policy transmission mechanism. The SMP was terminated when the technical features of the Outright Monetary Transactions were announced on 6 September 2012.

Securities settlement system (SSS): a system which allows the transfer of securities, either free of payment or against payment (delivery versus payment).

Single Resolution Mechanism (SRM): the European banking resolution system, composed of the Single Resolution Board (SRB), together with the Council and the Commission and the national resolution authorities of the participating Member States. Together with the Single Supervisory Mechanism, the SRM is one of the three pillars of the European Banking Union.

Single Supervisory Mechanism (SSM): the European banking supervisory system composed of the ECB and the national supervisory authorities and national central banks of the participating Member States. Together with the SRM, the SSM is one of the three pillars of the European Banking Union.

Stability and Growth Pact (SGP): intended to serve as a means of safeguarding sound government finances in the EU Member States in order to strengthen the conditions for price stability and for strong, sustainable growth conducive to employment creation. The SGP has two arms – a preventive arm and a corrective arm. The preventive arm prescribes that Member States specify medium-term budgetary objectives, while the corrective arm contains concrete specifications on the excessive deficit procedure.

Standing Facilities: Standing facilities aim to provide and absorb overnight liquidity, signal the general monetary policy stance and bound overnight market interest rates. Two standing facilities, which are administered in a decentralised manner by the NCBs, are available to eligible counterparties on their own initiative: the marginal lending facility and the deposit facility.

STEP2: Pan-European Automated Clearing House (PE-ACH) for retail payments in euro. The clearing house is operated by EBA Clearing.

Systemic Risk: the risk that the inability of one participant to meet its obligations in a system will cause other participants to be unable to meet their obligations when due, with possible spillover effects such as significant liquidity or credit problems that may threaten the stability of the financial system. Such inability may be caused by operational or financial problems.

TARGET2: the second-generation TARGET system. It settles payments in euro in central bank money and functions on the basis of a single shared IT platform, to which all payment orders are submitted for processing.

TARGET2-Securities (T2S): the Eurosystem's single technical platform enabling central securities depositories and NCBs to provide core, borderless and neutral securities settlement services in central bank money in Europe.

Treaty on the Functioning of the European Union (TFEU): Following entry into force of the Treaty of Lisbon on 1 December 2009, the Treaty establishing the European Community was renamed the Treaty on the Functioning of the European Union (TFEU). This Treaty - referred to as the Treaty of Rome (signed in Rome on 25 March 1957) - entered into force on 1 January 1958 to establish the European Economic Community (EEC). The Treaty establishing the European Community was subsequently amended by the Treaty on European Union (often referred to as the Maastricht Treaty) which was signed on 7 February 1992 and entered into force on 1 November 1993, thereby establishing the EU. Thereafter, both the Treaty establishing the European Community and the Treaty on the European Union were amended by the Treaty of Amsterdam, signed on 1 October 1997 and in force as of 1 May 1999, the Treaty of Nice, signed on 28 February 2001 and in force as of 1 February 2003, and then by the Treaty of Lisbon.

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