

Réf.: C2.10-0917  
Circular letter

Luxemburg, July 28th 2010

To all credit institutions

In case of discrepancies between the French and the English text,  
the French text shall prevail

***Concerns: Adoption of the euro by Estonia***

Ladies and Gentlemen,

At the European Council on 17 June 2010, the Heads of State and Government of the European Union have decided that Estonia will adopt the euro as from 1 January 2011. The objective of the present circular letter is to clarify the impact of the adoption of the euro by Estonia for the establishment of the monthly and quarterly statistical reports.

**1. Impact on the statistical data collection of the BCL**

The joining of the euro area by Estonia as from 1 January 2011 onwards will not only have an impact on the establishment of monthly and quarterly statistical reports but also on the calculation of the reserve requirement which credit institutions are subject to.

## 1.1 Impact on the monthly statistical data collection

The monthly statistical reports S 1.1 «Monthly statistical balance sheet of credit institutions», S 1.4 « Information on valuation effects on the balance sheet of credit institutions», S 1.5 «Information on interest rates in EUR» and S 1.8 «Information on securitisation transactions launched by credit institutions» require a breakdown of assets and liabilities according to the country of residency or the country of the registered office, i.e. the country where the centre of economic interest of a counterpart is located and distinguish between the following breakdowns:

- All countries: this category regroups all the operations regardless of the country of residency or the country of the registered office
- Luxembourg (LU)
- OMUMs: i.e. Other Monetary Union Members States
- Rest of the world: i.e. the countries that are not included in the two aforementioned categories

As from 1 January 2011, the category «Other Monetary Union Members States» (OMUMs) will also include Estonia that is currently, and until 31 December 2010, included in the category «Rest of the world».

Furthermore, credit institutions are reminded that the inclusion of Estonia in the category «Other Monetary Union Members States» entails a more detailed sector breakdown of assets and liabilities towards resident counterparts of Estonia. The details of these sector breakdowns are described in the reporting instructions relating to reports S 1.1 «Monthly statistical balance sheet of credit institutions», S 1.4 « Information on valuation effects on the balance sheet of credit institutions», S 1.5 «Information on interest rates in EUR» and S 1.8 «Information on securitisation transactions launched by credit institutions».

As a consequence, credit institutions are invited to modify their reporting systems in order to include assets and liabilities resulting from operations with counterparts from Estonia in the category «Other Monetary Union Members States» while proceeding to the appropriate sector breakdown.

## **1.2 Impact on the quarterly statistical data collection**

The quarterly statistical report S 2.5 «Quarterly statistical balance sheet of credit institutions» requires a breakdown of assets and liabilities according to the country of residency or the country of the registered office by using a two digit ISO code.

Since the economic sector breakdown is identical for all countries, the adoption of the euro by Estonia does not have any impact on report S 2.5 «Quarterly statistical balance sheet of credit institutions».

## **2. Impact for the calculation of the reserve requirement**

Since the liabilities which are owed to the European central bank, to the National central banks (NCBs) that are members of the Eurosystem and to credit institutions (CIS) that are subject to the Eurosystem's minimum reserve requirement are excluded from the reserve base. The volume of liabilities included in the reserve base must be reduced by the amount of liabilities owed to credit institutions from Estonia that are subject to the Eurosystem's minimum reserve requirement as from January 2011 onwards.

For the maintenance period from December 2010 to January 2011, the one from January to February 2011 as well as from February to March 2011 (the exact start and end dates of the maintenance periods during 2011 will be published on the BCL's website), the liabilities owed to credit institutions from Estonia being subject to the Eurosystem's reserve requirement may already be deducted from the reserve base of credit institutions. Luxembourg credit institutions that wish to benefit from this option must fill in the attached table for periods of October 2010, November 2010 and December 2010 while considering credit institutions from Estonia as being subject to the Eurosystem's reserve requirement even though these institutions are not yet subject to the Eurosystem's minimum reserve requirement in 2010. In that case, the amount of the reserve requirement reported on the basis of report S 1.1 «Monthly statistical balance sheet of credit institutions» will be amended by taking into account the information provided on the attached table.

Credit institutions are reminded that statistical reports S 1.1, S 1.4, S 1.5, S 1.8 and S 2.5 must be established by considering Estonia as not being member of the Monetary Union until 31 December 2010 included.

### **3. Quality of the data transmitted**

Credit institutions are reminded to scrupulously check the correct identification of their counterparts and to use, in particular, the official list of credit institutions published by the *Commission de surveillance du secteur financier* as well as the official list of monetary financial institutions made available to reporting agents on the website of the European central bank.

We therefore consider it necessary to stress once again the importance of the quality of the data transmitted to the BCL and the necessity to submit the data to the verification rules detailed in the technical documentation. Only a rigorous control undertaken during data production will allow respecting the quality requirements as well as the reporting delays. This point is the more important since the data collected will be checked by the ECB before aggregating them with the data of the other Member states. Any error or important negligence will have harmful repercussions on the reputation of the Luxembourg financial community.

#### **4. Setting up of the new arrangements**

The new classification of assets and liabilities towards resident counterparts of Estonia must be achieved for the first time while establishing the monthly statistical reports referring to January 2011.

The attached table relating to the calculation of minimum reserves refers to the periods of October 2010, November 2010 and December 2010.

Yours sincerely,

BANQUE CENTRALE DU LUXEMBOURG

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Annex: 1

**Annex. Information to be provided to the Banque centrale du Luxembourg for the reduction of the reserve base relating to the periods of October 2010, November 2010 and December 2010**

Item	Currency	Country	Economic sector	Initial maturity		
				<= 2 years	> 2 years	No split
Overnight deposits	EUR	Estonia	NCB + CIS subject to reserves			
	Other currencies	Estonia	NCB + CIS subject to reserves			
Deposits with agreed maturity	EUR	Estonia	NCB + CIS subject to reserves			
	Other currencies	Estonia	NCB + CIS subject to reserves			
Deposits redeemable at notice	EUR	Estonia	NCB + CIS subject to reserves			
	Other currencies	Estonia	NCB + CIS subject to reserves			
Repurchase agreements	EUR	Estonia	NCB + CIS subject to reserves			
	Other currencies	Estonia	NCB + CIS subject to reserves			
Debt securities issued	EUR	Estonia	NCB + CIS subject to reserves			
	Other currencies	Estonia	NCB + CIS subject to reserves			

NCB + CIS subject to reserves: National central bank of Estonia and credit institutions subject to the Eurosystem's minimum reserve requirement

The wording of the lines and columns of this table correspond with those used for report S 1.1 to be reported to the Banque centrale du Luxembourg with a monthly frequency. Credit institutions that wish to fill in this table may therefore refer to the definitions provided in the compendium of instructions for credit institutions.