

5. ANNEXES

5.1 List of BCL circular letters issued in 2004

- BCL circular letter 2004/184 of 5 March 2004 regarding the amendment of the BCL's terms and conditions - to all credit institutions and to the financial services of the Postal and Telecommunications Services Company (giro accounts service).
- BCL circular letter 2004/185 of 10 May 2004 regarding survey on foreign direct investment - to all credit institutions and to the financial services of the Postal and Telecommunications Services Company (giro accounts service).
- BCL circular letter 2004/186 of 5 November 2004 regarding the dates for the transmission of statistical reports to the Banque centrale du Luxembourg - to all credit institutions.
- BCL circular letter 2004/187 of 5 November 2004 regarding the dates for the transmission of statistical reports to the Banque centrale du Luxembourg as well as start and ending dates of the minimum reserve maintenance periods in 2005 - to all credit institutions.

5.2 BCL Publications

Paper copies of publications may be obtained at the BCL public counters within the limit of available stocks and according to its specified conditions. These publications may also be read and downloaded from the website www.bcl.lu.

For a complete list of the documents published by the ECB and for the versions in all official languages of the EU, please visit the ECB's web site www.ecb.int.

BCL Bulletins in 2004

- BCL Bulletin 2004/1, Special: Financial Stability, April 2004
 - *Le secteur financier luxembourgeois en 2003 ;*
 - *Risque de contagion du marché interbancaire luxembourgeois ;*
 - *Crises management.*
- BCL Bulletin 2004/2, June 2004
 - *Les finances publiques luxembourgeoises : état des lieux et perspectives ;*
 - *La courbe de Phillips néo-keynésienne : résultats empiriques pour le Luxembourg.*
- BCL Bulletin 2004/3, September 2004
 - *La mise en garantie de prêts bancaires auprès de la Banque centrale du Luxembourg au regard du secret bancaire luxembourgeois ;*
 - *Impact des mesures prises par les autorités publiques sur les prix à la consommation ;*
 - *Die Eurobargeldeinführung und regionale Preisunterschiede: Ist seitdem etwas passiert?;*
 - *La persistance de l'inflation au Luxembourg : une analyse au niveau désagrégé.*
- BCL Bulletin 2004/4, December 2004
 - *Utilisation des instruments de paiement au Luxembourg ;*
 - *Evolution de l'impact des fusions bancaires sur l'emploi dans les banques ;*
 - *La position extérieure globale du Luxembourg ;*
 - *Rigidités nominales et persistance de l'inflation.*

BCL Annual Reports

- Annual Report 2003 (French version), April 2004
- Annual Report 2003 (English version), May 2004
- Annual Report 2004 (French version), June 2005
- Annual Report 2004 (English version), July 2005

BCL Working papers in 2004

- Working paper no. 11, June 2004
The New Keynesian Phillips curve: empirical results for Luxembourg, by Ieva Rubene and Paolo Guarda.
- Working paper no. 12, November 2004
Inflation Persistence in Luxembourg: A Comparison with EU 15 countries at the disaggregate level, by Thomas Mathä and Patrick Lünemann.

BCL brochures

- "The Banque centrale of Luxembourg in the European System of Central Banks", by Michael Palmer, May 2001.
- "Banque centrale du Luxembourg", presentation of the Bank and of its missions (French, English and German), June 2003.

General Conditions for BCL operations

5.3 Statistics series of the BCL

Statistical tables listed hereunder are available on the BCL Internet site www.bcl.lu ("Statistics") and are regularly updated. These tables are also published in the quarterly BCL Bulletin.

1 Monetary policy statistics

- 1.1 Luxembourg minimum reserve statistics

2 Monetary and financial developments in the euro area

- 2.1 Aggregated balance sheets of Luxembourg MFIs (excluding the BCL)
- 2.2 Outstanding MFI loans to households and non-financial corporations by type and original maturity
- 2.3 Luxembourg bank interest rates of euro denominated loans and deposits vis-à-vis euro area residents on new business
- 2.4 Luxembourg bank interest rates of euro denominated loans and deposits vis-à-vis euro area residents on outstanding amounts

3 General data on the Luxembourg financial system

- 3.1 Aggregated profit and loss account of the Luxembourg banks as at year-end
- 3.2 Interim aggregated profit and loss account of the Luxembourg banks
- 3.3 Long-term development of the profit and loss accounts of the Luxembourg banks
- 3.4 Aggregated balance sheets of the Luxembourg banks
- 3.5 Geographic origin of credit institutions
- 3.6 Employment in the Luxembourg credit institutions and other financial sector professionals
- 3.7 Significant domestic interest rates
- 3.8 Lending for purchase of houses located in Luxembourg
- 3.9 Evolution of undertakings of collective investment in Luxembourg

4 Luxembourg credit institutions' situation on the euro markets

- 4.1 Assets and liabilities: geographic breakdown
- 4.2 Assets and liabilities: currency breakdown
- 4.3 Assets and liabilities: share of Luxembourg

5 Inflation in Luxembourg

- 5.1 Developments in the Harmonised Index of Consumer Prices (HICP) and the National Index of Consumer Prices (NICP)
- 5.2 Industrial goods and commodity prices
- 5.3 Costs indicators and terms of trade

6 Luxembourg real economy indicators

- 6.1 GDP at market prices and its components (based on ESA95)
- 6.2 Selected other real economy indicators
- 6.3 Labour market indicators
 - 1. Employment and unemployment
 - 2. Components of employment
- 6.4 Monthly consumer survey on conjunctural conditions

7 Luxembourg public finances

8 Luxembourg current account and the Banque centrale du Luxembourg's reserve position

- 8.1 Balance of payments: Summary
- 8.2 Balance of payments: Current account
- 8.3 Balance of payments: Direct investment
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10 International investment position

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5.4 List of abbreviations

ABBL	<i>Association des Banques et Banquiers, Luxembourg</i>
AGDL	<i>Association pour la garantie des dépôts, Luxembourg</i>
BCL	<i>Banque centrale du Luxembourg</i>
BIS	Bank for International Settlements
BLEU	Belgian Luxembourg Economic Union
BNB	<i>Banque Nationale de Belgique</i>
CCBM	Correspondent central banking model
CESR	Committee of European Securities Regulators
CETREL	<i>Centre de transferts électroniques Luxembourg</i>
CPI	Consumer Price Index
CMFB	Committee on monetary, financial and balance of payments statistics
CSSF	<i>Commission de surveillance du secteur financier</i>
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EFC	Economic and Financial Committee
EIB	European Investment Bank
EMI	European Monetary Institute (1994-1998)
EMS	European Monetary System
EMU	Economic and Monetary Union
ESCB	European System of Central Banks
EU	European Union
EUR	euro
EUROSTAT	Statistical office of the European Communities
FATF	Financial Action Task Force against money laundering
FSAP	Financial Sector Assessment Program
GDP	Gross domestic product
HICP	Harmonised Index of Consumer Prices
IADB	Inter American Development Bank
IGC	Intergovernmental conference

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

5.5 Glossary

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

Attractive price: Attractive prices means psychological prices, *i.e.* prices that end with the figures 9, 95, 98, fractional prices which end with the figures 0 and 5 and rounded prices which are multiples of 100.

Base effect: When analysing 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* to 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 *t* and month *t*+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 immobilised within the CSD) or in a dematerialised form (*i.e.* only as electronic records).

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

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 *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.* balances *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 basis for the regular analysis of the counterparts of **M3**.

Correspondent central banking model (CCBM): a mechanism established by the **European System of 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 in another country. In the CCBM, an NCB acts as custodian for the other NCBs with regard to the securities held in its domestic **securities settlement system (SSS)**.

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

Credit institution: an institution covered by the definition in Article 1 of Directive 2000/12/EC of the European Parliament and of the Council relating to the taking up and pursuit of the business of credit institutions. Thus, a credit institution is: (i) an undertaking whose business is to receive deposits or other repayable funds from the public and to grant credit for its own account.

Currency in circulation: comprises of banknotes and coins which are legal tender.

Deposit facility: a **standing facility** of the **Eurosystem** which **counterparties** may use to make overnight deposits at a national central bank and which are remunerated at a pre-specified interest rate (see **key ECB interest rates**).

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 1999 with the transfer of monetary competence to the **European Central Bank (ECB)** and the introduction of the **euro**. The cash changeover on 1 January 2002 completed the set-up of EMU.

Effective (nominal/real) exchange rates (EERs): weighted averages of bilateral euro exchange rates against the currencies of the **euro area's** important trading partners. The **European Central Bank** publishes nominal EER indices for the euro against two groups of trading partners: the EER-23 (comprising the 13 non-euro area EU Member States and 10 main trading partners outside the EU) and the EER-42 (composed of the EER-23 and 19 additional countries). The weights used reflect the share of each partner country in euro area trade and account for competition in third markets. 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.

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

ESA 95: see **European System of Accounts 1995**

ERM II (exchange rate mechanism II): the exchange rate arrangement which provides the framework for exchange rate policy cooperation between the **euro area** and EU Member States not participating in the euro area 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**.

EURIBOR (euro interbank offered rate): the rate at which a prime bank is willing to lend funds in **euro** to another prime bank. The EURIBOR is computed daily for interbank deposits with a maturity of one to three weeks and one to 12 months as the average of the daily offer rates of a representative panel of prime banks, rounded to three decimal places.

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 euro area currently comprises of Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland.

European Central Bank (ECB): the ECB lies at the 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 implemented either through its own activities or the national central banks, pursuant to the Statute of the European System of Central Banks and of the European Central Bank. The ECB is governed by the **Governing Council** and the **Executive Board**, and, as a third decision-making body, by the **General Council**.

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 the 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 Bank** on 1 June 1998.

European System of Accounts 1995 (ESA 95): a system of uniform statistical definitions and classifications aimed at achieving a harmonised quantitative description of the economies of the Member States. The ESA 95 is the Community's version of the world System of National Accounts 1993 (SNA 93).

European System of Central Banks (ESCB): composed of the **European Central Bank (ECB)** and the national central banks of all 25 Member States. The ESCB includes, in addition to the members of the **Eurosystem**, the national central banks of the Member States which have not yet adopted the **euro** and are thus not involved in the conduct of the monetary policy of the Eurosystem.

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**). There are currently 12 NCBs in the Eurosystem. The Eurosystem is governed by the **Governing Council** and the **Executive Board** of the ECB.

Eurosystem's international reserves: these comprise of 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 of 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.

Executive Board: second decision-making body of the **European Central Bank (ECB)**. It comprises of 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**.

Fine-tuning operation: a non-regular **open market operation** executed by the **Eurosystem** mainly in order to deal with unexpected liquidity fluctuations in the market.

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

General Council: one of the decision-making bodies of the **European Central Bank (ECB)**. It comprises of the President and the Vice-President of the ECB and the governors of all 25 EU national central banks.

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**.

Harmonised Index of Consumer Prices (HICP): the measure 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 liaison with the national statistical institutes and the **European Monetary Institute**, and later the **European Central Bank**, in order to fulfil the **Treaty** requirement for a consumer price index constructed on a comparable basis, taking into account differences in national definitions.

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 through monthly **standard tenders** and have a maturity of three months.

Lump-sum allowance: a fixed amount which a **credit institution** deducts in the calculation of its **reserve requirement** within the minimum reserve framework of the **Eurosystem**.

M1, M2, M3: see **monetary aggregates**.

Main refinancing operation: a regular **open market operation** executed by the **Eurosystem** in the form of a **reverse transaction**. Main refinancing operations are conducted through weekly **standard tenders** and as of 10 March 2004 they normally have a maturity of one week.

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 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. The broad monetary aggregate **M3** includes M2 plus **repurchase agreements**, money market fund 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**).

Monetary financial institutions (MFIs): financial institutions which form the money-issuing sector of the **euro area**. These include the **Eurosystem**, resident **credit institutions** (as defined in 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 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 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 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 quantitative 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 **Harmonised 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.

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 a limited set of **counterparties**.

Reference value for monetary growth: the annual growth rate of **M3** over the medium term that is consistent with the maintenance of **price stability**. At present, the reference value for annual M3 growth is 4½%.

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**.

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

Reserve requirement: the requirement for **credit institutions** to hold minimum reserves with the 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 within 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.

Reverse transaction: an operation whereby the central bank buys or sells assets under a **repurchase agreement** or conducts credit operations against **collateral**.

RTGS (real-time gross settlement) system: a settlement system in which processing and settlement take place on an order-by-order basis (without netting) in real time (continuously). See also **TARGET**.

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).

Standard tender: a tender procedure used by the **Eurosystem** 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.

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**.

TARGET (Trans-European Automated Real-time Gross settlement Express Transfer system): the **real-time gross settlement (RTGS) system** for the **euro**. It is a decentralised 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.

Treaty: the Treaty establishing the European Community. The initial Treaty of 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 statutes of the **ESCB**.

