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1.1.1 Counterparty agreement

1 Parties to the Agreement
The Bank of Finland and
XX Bank Ltd (the ‘Counterparty’).

2 Purpose and scope of the Agreement
According to Article 105(2) of the Treaty establishing the European Community, one of the basic tasks of the European System of Central Banks (ESCB) is to define and implement the monetary policy of the Community. According to Article 12 of the Statute of the European System of Central Banks and of the European Central Bank, the Governing Council of the European Central Bank (ECB) issues guidelines that are binding on the national central banks (NCBs) and takes the decisions necessary to ensure performance of the tasks entrusted to the ESCB. According to Article 14.3 of the Statute, the NCBs are an integral part of the ESCB and act in accordance with the guidelines and instructions of the ECB. The Eurosystem’s monetary policy operations are executed on uniform terms and conditions in all Member States.

Under this Agreement, the Counterparty agrees to observe, in all monetary policy operations with the Bank of Finland, this Agreement, the rules concerning instruments and procedures of the Eurosystem’s monetary policy in effect at the time in question and set out in the Bank of Finland Rules on monetary policy instruments and procedures, which form part of this Agreement, as well as Bank of Finland Rules on collateral management and separate agreements on monetary policy instruments.

The Bank of Finland defines separately the operations that it undertakes with different counterparties.

3 Right to amend the Agreement and the Rules
The Bank of Finland may unilaterally amend this Agreement by amending its Rules, if the amendment is required because of new legislation or an obligation imposed by the European Central Bank on the Bank of Finland as a member of the ESCB.

Within the framework of the ECB’s decisions, the Bank of Finland is entitled to unilaterally amend the Bank of Finland Rules on monetary policy instruments and procedures. The Bank of Finland may unilaterally amend the Bank of Finland Rules on collateral management.

The Counterparty shall be notified in writing to the address provided by the Counterparty or electronically of any amendments of any of the Rules. Such amendments shall take effect on the date specified in the notification.

4 General requirement to use euro
All payments relating to monetary policy operations, other than foreign currency payments in foreign exchange swap agreements, shall be denominated in euro.

5 General requirement on collateral
All credit operations with the Counterparty shall be based on adequate collateral.

1 ‘Eurosystem’ denotes the composition in which the ESCB performs its basic tasks, ie the ECB and the national central banks of the Member States which have adopted the single currency in accordance with the Treaty establishing the European Community.
6 Default

6.1 Instances of default

The following events shall be considered instances of default in respect of the Counterparty's obligation based on a monetary policy operation:

a) (i) a credit institution acting as the Counterparty has been placed in receivership in accordance with the Commercial Bank Act, the Savings Bank Act or the Cooperative Bank Act, or declared bankrupt in accordance with the Bankruptcy Act, or
(ii) a procedure of a foreign jurisdiction corresponding to (i) is applicable to the Counterparty,

b) (i) the Ministry of Finance has decided, in accordance with the Act on suspension of operations of a deposit bank, to suspend the operations of the credit institution acting as the Counterparty for a fixed period or has restricted the operations of the credit institution for a fixed period in accordance with the Credit Institutions Act,
(ii) the Ministry of Finance has instituted proceedings in accordance with the Act on corporate restructuring requiring the said credit institution's restructuring, or
(iii) a procedure of a foreign jurisdiction corresponding to (i) or (ii) is applicable to the Counterparty, or

c) a declaration by the Counterparty in writing of its inability to pay all or any part of its debts or to meet its obligations arising in connection with monetary policy transactions, or a voluntary general agreement or arrangement entered into by it with its creditors, or the Counterparty is, or is deemed to be, insolvent or is deemed to be unable to pay its debts; or

d) procedural steps preliminary to a decision being taken under a) or b) above; or

e) any representation or other pre-contractual statement made by the Counterparty or which is implied to have been made by the Counterparty under applicable provisions of law is incorrect or untrue; or


g) the Counterparty is suspended or expelled from membership of any payment system or arrangement through which payments under monetary policy transactions are made or is suspended or expelled from membership of any securities exchange or securities settlement system; or

h) measures such as are referred to in Articles 30, 31, 33 and 34 of the Directive relating to the taking up and pursuit of the business of credit institutions (Directive 2006/48/EC of the European Parliament and of the Council) (as amended); or

i) in respect of reverse transactions, the Counterparty fails to comply with provisions concerning risk control measures; or

j) in respect of repurchase transactions, the Counterparty fails to pay in due time the purchase price or repurchase price or fails to deliver in due time securities...
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or repurchased securities; or

k) in respect of foreign exchange swap transactions, the Counterparty fails to pay the euro or foreign currency amounts or, in respect of fixed-term deposits, the Counterparty fails to pay the euro amount required; or

l) if the Counterparty fails to pay in due time any payments under an agreement concerning the investment of the reserve assets of another national central bank belonging to the Eurosystem or an agreement concerning the management of the own funds of such a central bank; or

m) if the Counterparty fails to supply any necessary information, and this leads to serious consequences for the Bank of Finland; or

n) the Counterparty fails to perform any other of its obligations under arrangements for reverse transactions and foreign exchange swap transactions and (if capable of remedy) does not remedy such failure within 30 days in the case of collateralized transactions or within 10 days in the case of foreign exchange swap transactions after notice is given by the Bank of Finland requiring it to do so; or

o) an event of default or other substantial breach occurs in relation to the Counterparty, including the head office or any branch of that Counterparty, in any agreement, arrangement, other obligation binding upon or transaction entered into by that Counterparty, including the head office or any branch of that Counterparty, with any other members of the Eurosystem for the purpose of effecting monetary policy operations; or

p) the Counterparty's assets are subject to the freezing of funds and/or other measures imposed by the EU under Article 75 of the Treaty on the Functioning of the European Union restricting the use of the Counterparty's funds; or

q) the Counterparty's assets are subject to the freezing of funds and/or other measures imposed by an EU Member State restricting the use of the Counterparty's funds; or

r) all or a substantial part of the Counterparty's assets are subject to a freezing order, attachment, seizure or any other procedure that is intended to protect the public interest or the rights of the Counterparty's creditors; or

(s) all or a substantial part of the Counterparty's assets are assigned to another entity; or

(t) any other impending or existing event the occurrence of which may threaten the performance by the Counterparty of its obligations under the arrangement it entered into for the purpose of effecting monetary policy operations or any other rules applying to the relationship between the Counterparty and any of the central banks of the Eurosystem.

6.2 Consequences of default

If clause 6.1.a) or p) above is effected in respect of the Counterparty, the Bank of Finland shall cancel this Agreement and all outstanding monetary policy operations undertaken with the Counterparty so as to terminate these immediately. The Counterparty shall be notified in writing of such cancellations.

If any of the clauses 6.1.b) – 6.1.o) or q) – t) above are effected in respect of the Counterparty, the Bank of Finland shall be entitled to cancel this Agreement and all outstanding monetary policy operations undertaken with the Counterparty by a written notice thereof to
the Counterparty. In such cases the Bank of Finland may, at its discretion, grant the Counterparty a maximum period of three business days to rectify the default before the notice of termination takes effect.

If the Counterparty defaults on its obligations, the Bank of Finland shall also be entitled to take the following actions:

- suspend, limit or entirely exclude the Counterparty's access to monetary policy operations,
- suspend, limit or entirely exclude the Counterparty's access to the standing facilities,
- terminate immediately all outstanding transactions and monetary policy operations undertaken with the Counterparty,
- demand payment of its claims on the Counterparty that are not yet due for payment,
- set off against claims deposits held by the Counterparty with the Bank of Finland, or
- refrain from performance of its obligations until the Counterparty has fulfilled its obligation.

6.3 Penalty interest and claims for damages

If the Counterparty defaults on a payment obligation, the Bank of Finland may levy penalty interest charges on the related outstanding claim.

If the Counterparty defaults on an obligation, the Bank of Finland may claim indemnity for damage caused by such default.

The Bank of Finland Rules on monetary policy instruments and procedures and the Bank of Finland Rules on collateral management contain specific provisions on sanctions applicable in situations where the Counterparty fails to provide an adequate amount of collateral to cover the liquidity granted in connection with a tender or where the Counterparty, having a negative balance on its settlement account, does not fulfil the access conditions for the marginal lending facility or where credit extended to the Counterparty is collateralized by debt instruments that have been issued or guaranteed by the Counterparty itself or by an entity with which the Counterparty has close links.

7 Exclusion on grounds of prudence

The Bank of Finland may suspend, limit or exclude counterparties' access to monetary policy operations and the standing facilities on the grounds of prudence.

8 The relation of this Agreement to other agreements

The Counterparty shall not be entitled to assign this Agreement.

Separate agreements may be concluded with the Counterparty on instruments to be used in monetary policy operations.

When an institution makes a minimum reserve deposit via an institution acting as an intermediary, a separate agreement shall have been concluded between the two aforesaid institutions under which the parties agree to the arrangement and specify their positions with respect to the ESCB. Such indirect reserve deposit arrangements shall be subject to permission by the Bank of Finland.

9 Termination

Either party to this Agreement may terminate the Agreement subject to one (1) month’s prior notice to the other party. The parties to the Agreement shall continue to apply the
terms of the Agreement after expiry of the period of notice until the outstanding monetary policy operations terminate.

Notwithstanding the above, the Bank of Finland has the right to revoke the Counterparty's participation in monetary policy operations on grounds of prudence or upon the Financial Supervision Authority's prohibition or restriction of deposit-taking or in the event of severe or persistent failure on the part of the Counterparty to perform its obligations.

The Bank of Finland shall not be held liable for indemnity in respect of any possible damage to the Counterparty connected with proper termination of the Agreement.

10 Sanctions

The sanctions cited in Council Regulation (EC) No 2532/98 of 23 November 1998 concerning the powers of the European Central Bank to impose sanctions and in Council Regulation (EC) No 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank shall be applied to the Counterparty in addition to and together with clause 6 of this Agreement. The procedures prescribed by ECB Regulation (EC) No 2157/1999 on the powers of the European Central Bank to impose sanctions shall also be applied when sanctions are imposed.

11 Governing Law and Jurisdiction

This Counterparty Agreement shall be governed by the law of Finland.

Any disputes concerning this Agreement shall be adjudicated in the first instance by the Helsinki district court.

This agreement shall enter into force on 1 February 2009 and shall continue in force until further notice.

This Agreement has been drawn up in two identical copies, one for each party.

Date
1.1.2 Master foreign exchange SWAP

for use in Monetary Policy Operations in Stage Three of EMU

Date:

Parties:

Bank of Finland and
[Counterparty] whose [address] [registered place of business is at [address]] (the "Counterparty").

1 Nature of the Agreement

a) In the context of monetary policy operations the parties hereto may enter into transactions in which one party hereto ("Party A") agrees to exchange an amount of euro (the "Euro Amount") with the other party ("Party B") against an amount agreed in another currency (the "Foreign Currency"), with a simultaneous agreement to reverse the transaction at a specified future date. The two amounts in Foreign Currency shall, respectively, be determined by application of the Spot Rate and the Forward Rate to the Euro Amount.

b) Each such transaction shall be referred to herein as a "Transaction" and the parties shall be governed by the terms of this Agreement and the Bank of Finland Rules on the monetary policy instruments and procedures.

c) Each party acknowledges that all Transactions hereunder constitute a single business and contractual relationship between the parties. Each party agrees to perform all of its obligations in respect of each Transaction hereunder and that, subject to any express intent to the contrary contained herein, a failure to perform any such obligation shall constitute a failure by it to perform in respect of all Transactions. Each party accepts that payments and transfers made by either party in respect of any Transaction shall be deemed to have been made in consideration of payments and transfers in respect of all other Transactions hereunder.

2 Definitions

a) "Transfer Date" means with respect to any Transaction, the date (and where appropriate the time on that date) when the transfer of the Euro Amount by Party A to Party B is to become effective, which for the avoidance of doubt shall be the date (and where appropriate the time on that date) when the parties have agreed settlement of a transfer of the Euro Amount shall occur.

b) "Spot Rate" means, in relation to a specific Transaction, the rate applied to convert the Euro Amount into such amount in the Foreign Currency relevant for that Transaction as Party B shall be obliged to transfer to Party A at the Transfer Date (the "Transfer Amount") against payment of the Euro Amount. The spot rate shall be set out in the Confirmation.

c) "Retransfer Date" means, with respect to any Transaction, the date (and where appropriate, the time on that date) when Party B is to retransfer the Euro Amount to Party A.

d) "Default Notice" means a written notice served by the Bank of Finland on the Coun-
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A Transaction may be entered into solely at the initiation of the Bank of Finland and through such formalities as may be specified from time to time in the Bank of Finland Rules on the monetary policy instruments and procedures. A written confirmation of the Transaction (a "Confirmation") have to be delivered by both parties in the form and manner specified from time to time in the the Bank of Finland Rules on the monetary policy instruments and procedures.

The Confirmation relating to a Transaction shall, together with this Agreement, constitute evidence of the terms agreed between Party A and Party B for that Transaction, unless objection is made promptly with respect to a Confirmation after receipt thereof. In the event of any conflict between the terms of such Confirmation and this Agreement, the Confirmation shall prevail in respect of that Transaction only. Confirmation constitutes a supplement to and forms part of this Agreement and shall be construed as one with this Agreement and shall form part of a single contractual arrangement.

Payments under this Agreement shall be made on the due date and for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency.
c) Each obligation of the Bank of Finland to pay any amount due under clause 3(b) above is subject to no Event of Default nor any of the facts set out in clause 5(i), (ii) or (iii) with respect to the Counterparty having occurred which is continuing.

d) Any obligation to make payments in a particular currency will not be discharged or satisfied by any tender in any other currency.

e) Unless otherwise agreed all payments under this Agreement shall be made gross and without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If a party is required to deduct or withhold any sum from any payment under this Agreement, then that party ('X') shall:

(i) promptly notify the other party ('Y') of such requirement;

(ii) promptly, upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y, pay the relevant authorities the full amount required to be deducted or withheld (including any amount required to be deducted or withheld from additional amounts paid by X to Y under this clause);

(iii) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such deduction or withholding;

(iv) if such Tax is an Indemnifiable Tax, pay to Y, in addition to the payment to which Y is otherwise entitled under this Agreement, such additional amount as is necessary to ensure that the net amount actually received by Y (free and clear of Indemnifiable Tax, whether assessed against X or Y) will equal the full amount Y would have received had no such deduction or withholding been required.

f) A party that defaults in the payment of any amount due under this Agreement shall pay interest on such amount to the other party on demand in the same currency as the overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate.

4 Netting

If on any date amounts would otherwise be payable under this Agreement in the same currency by each party to the other, then the sums due from one party shall be set off against the sums due to the other and only the net balance shall be payable by the party required to pay the larger amount to the other party and the payment of the net balance shall satisfy and discharge the obligations to make payments of all such amounts.

5 Events of Default

a) If the or any combination of the events set out respectively in (i), (ii) or (iii) below occur in relation to the Counterparty, an Event of Default shall be considered to have occurred and the provisions in sub-clauses (b) and (c) below shall apply:

(i) (aa) a credit institution acting as the Counterparty has, in accordance with the Commercial Bank Act, the Savings Bank Act or the Cooperative Bank Act, made a decision on supervised voluntary liquidation of the credit institution, or competent authorities have decided on compulsory liquidation of the credit institution in accordance with the above-mentioned legislation; or

(bb) the Counterparty has been declared bankrupt in accordance with the Bankruptcy
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Act; or

(cc) a procedure of a foreign jurisdiction corresponding to (aa) or (bb) is applicable to
the Counterparty;

(ii) (aa) the Ministry of Finance orders, in accordance with the Commercial Bank Act,
the Savings Bank Act or the Cooperative Bank Act, that the credit institution acting as
the Counterparty shall suspend its deposit-taking and payments of deposited funds
and other commitments; or

(bb) the Ministry of Finance suspends or revokes the authorization of the credit institu-
tion acting as the Counterparty in accordance with the Credit Institutions Act; or

(cc) a procedure of a foreign jurisdiction corresponding to (aa) or (bb) is applicable to
the Counterparty.

(dd) a declaration by the Counterparty in writing of its inability to pay all or any part of
its debts or to meet its obligations arising in relation to this Agreement, or a voluntary
general agreement or arrangement entered into by it with its creditors, or the Counter-
party is, or is deemed to be, insolvent or is deemed to be unable to meet its debts; or

(ee) procedural steps preliminary to a decision being taken under (i) or (ii) (aa) – (cc)
above; or

(ff) the failure by the Counterparty to make, when due, any payment under this
Agreement or under any Transaction hereunder; or

(gg) the Counterparty has an authorisation to conduct activities under either the First
or under the Investment Services Directive (Council Directive 93/22/EEC) as imple-
mented suspended or revoked, or

(hh) the Counterparty is suspended or expelled from membership of any payment sys-
tem or arrangement through which payments under this Agreement are made or,

(ii) measures such as are referred to in Article 21 of the Second Banking Coordination
Directive (Second Council Directive 89/646/EEC) are taken against the Counterparty,

(jj) an event of default occurs in relation to the Counterparty in any agreement with
the European Central Bank, the Bank of Finland or any other central bank of a Mem-
ber State participating in Stage Three of EMU arising out of any agreement
and the Bank of Finland serves a Default Notice on the Counterparty.

(iii) The Counterparty fails to perform any other of its obligations hereunder and (if c a-
pable of remedy) does not remedy such failure within 10 days after notice is given by
the Bank of Finland requiring it to do so, and the Bank of Finland subsequently serves
a Default Notice on the Counterparty.

b) If an Event of Default has occurred the Bank of Finland shall be deemed to have im-
mediately terminated each Transaction hereunder and, subject to the following provi-
sions, the performance of all payment obligations of the parties including their respec-
tive obligations concerning the retransfer of the Euro Amount and of the transfer of the
Retransfer Foreign Currency Amount shall be effected only in accordance with the
provisions of (c) below.

c) (i) The Replacement Values of the Euro Amount and the Retransfer Foreign Currency
Amount shall be established by the Bank of Finland for each outstanding Transaction
on the basis that such replacement values shall be represented by such amounts as
would be necessary to preserve for the Bank of Finland the economic equivalent of
any payments by the parties that would have been required on the Retransfer Date if
the Transactions hereunder had not been terminated; and
(ii) on the basis of the sums so established, a calculation shall be made by the Bank of Finland (as at the Retransfer Date) of what is due from each party to the other under this Agreement and the sums due from one party shall be converted, where necessary, into euro and set off against the sums due to the other and only the net balance shall be payable by the party having the claim thereby valued at the lower amount and such net balance shall be due and payable on the next following day on which all relevant parts of TARGET are operational to effect such a payment.

d) Following the occurrence of an Event of Default, the Counterparty shall be liable to the Bank of Finland for the amount of all legal and other professional expenses incurred by the Bank of Finland in connection with or as a consequence of such Event of Default, together with interest thereon at the Default Rate.

e) The Counterparty shall be obliged to notify the Bank of Finland of the occurrence of any Event of Default or any of the facts, set out in (ii) (aa) to (jj) above as soon as it is aware of such occurrence.

f) Following the occurrence of an Event of Default the Bank of Finland shall have, in addition to its rights hereunder, any rights otherwise available to it under any other agreement or applicable law.

6 Notices and Other Communications

a) Any notice including confirmations or other communication to be given under this Agreement may be given in writing, by telex, by facsimile transmission, certified or registered mail, or electronic system and

(i) shall be as set out in the Bank of Finland Rules on the monetary policy instruments and procedures or made through SWIFT and shall be in written form, except where expressly otherwise provided in this Agreement;

(ii) shall be sent to the party to whom it is to be given at the address or telex or facsimile number, or in accordance with the electronic messaging details, set out in the Bank of Finland Rules on the monetary policy instruments and procedures.

b) Any such notice or other communication shall be effective

(i) if in writing and delivered in person or by courier, at the time when it is delivered;

(ii) if sent by telex, at the time when the recipient's answer-back is received;

(iii) if sent by facsimile transmission, at the time when the transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);

(iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), at the time when that mail is delivered or its delivery is attempted;

(v) if sent by electronic messaging system, at the time that electronic message is received;

except that any notice or communication which is received, or delivery of which is attempted, after close of business on the date of receipt or attempted delivery or on a day which is not a day on which the Bank of Finland is open shall be treated as having been given at the opening of the Bank of Finland on the next following day which is such a day.

c) Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are
to be given to it.

d) The parties agree that they each may electronically record all telephone conversations between them which relate to the operations of this Agreement.

7 Entire Agreement; Severability

This Agreement shall supersede any existing agreements between the parties containing general terms and conditions for Transactions. Each provision and agreement herein shall be treated as separate from any other provision or agreement herein and shall be enforceable notwithstanding the unenforceability of any such other provision or agreement.

8 Non-Assignability

The rights and obligations of the parties under this Agreement and under any Transaction shall not be assigned, charged or otherwise dealt with by the Counterparty without the prior written consent of the Bank of Finland.

9 Governing Law and Jurisdiction

This Agreement and each Transaction shall be governed by and construed in accordance with the laws of Finland. For the benefit of the Bank of Finland, the Counterparty hereby irrevocably submits for all purposes of or in connection with this Agreement and each Transaction to the jurisdiction of the Helsinki District Court.

Nothing in this paragraph shall limit the right of the Bank of Finland to take proceedings in the courts of any other country of competent jurisdiction.

Date
1.1.3 Master repurchase agreement

for use in Monetary Policy Operations in Stage Three of EMU

Dated:

Between:

Bank of Finland

[Counterparty] whose registered place of business is at [address] (the “Counterparty”)

1 Nature of the Agreement

a) The parties hereto may enter into transactions in which one party hereto (the "Seller"), agrees to sell to the other party hereto (the "Buyer") assets ("Securities") as specified in the Bank of Finland Rules on Collateral Management against payment of the purchase price in money by the Buyer, with a simultaneous agreement by the Buyer to sell to the Seller securities equivalent to such Securities at a specified date against payment of an agreed price in money by the Seller to the Buyer.

b) Each such transaction shall be referred to herein as a "Transaction" and the parties shall be governed by the terms of this Agreement and the Bank of Finland Rules on the Monetary Policy Instruments and Procedures and the Bank of Finland Rules on Collateral Management and their annexes.

c) Each party acknowledges that all Transactions hereunder constitute a single business and contractual relationship between the parties. Each party agrees to perform all of its obligations in respect of each Transaction hereunder and that, subject to any express intent to the contrary contained herein, a failure to perform any such obligation shall constitute a failure by it to perform in respect of all Transactions. Each party accepts that payments and transfers made by either party in respect of any Transaction shall be deemed to have been made in consideration of payments and transfers in respect of all other Transactions hereunder.

2 Definitions

a) "Initial Margin Amount" means, with respect to any Transaction:

   (i) as of the Purchase Date, the amount obtained by application of a percentage as specified in the Bank of Finland Rules on Collateral Management to the Purchase Price.

   (ii) as of any date after the Purchase Date, the amount obtained by application of the same percentage to the Repurchase Price.

b) "Spot Rate" means, where an amount in one currency is to be converted into euro on any date, the spot rate of exchange indicated by the European Central Bank (ECB) on the previous business day.

c) "Price Differential" means, with respect to any Transaction as of any date, the aggregate amount obtained by daily application of the Pricing Rate for such Transaction to the Purchase Price for such Transaction (on an actual/360 day basis) during the period commencing on (and including) the Purchase Date for such Transaction and ending on (but excluding) the date of calculation or, if earlier, the Repurchase Date.
d) "Pricing Rate" means, with respect to any Transaction, the per annum percentage rate for calculation of the Price Differential.

e) "Default Notice" means a written notice served by the Bank of Finland on the Counterparty under clause 9 stating that an event shall be treated as an Event of Default for the purposes of this Agreement, which notice becomes effective immediately in accordance with clause 13(b) unless the Bank of Finland has provided for a period of up to a maximum of three Business Days during which the Counterparty may rectify the Event of Default to the satisfaction of the Bank of Finland in which latter case, if such rectification does not occur, the Event of Default shall be deemed to occur upon the expiration of such period.

f) "Home Market" means the reference market specified by the European System of Central Banks (ESCB) in its data base for eligible assets.

g) "Default Valuation Time" means, with respect to any Securities,

(i) if the relevant Event of Default occurs during normal business hours on a day which is a dealing day in the Home Market for such Securities, the close of business in that market on the following dealing day;

(ii) in any other case, the close of business in the Home Market on the second dealing day after the day on which the Event of Default occurs.

h) "Default Market Value" means

(i) the Market Value of such Securities at the Default Valuation Time; or,

(ii) if the Bank of Finland has before the Default Valuation Time sold the securities or Equivalent Securities, the net proceeds of sale after deducting all reasonable costs, fees and expenses incurred in connection with such sale.

such calculation being made and amounts determined by the Bank of Finland.

i) "Market Value" means

(i) with respect to any Securities the price for those Securities on the Home Market on the preceding day as specified by the ESCB in the data base for eligible assets; or

(ii) with respect to any Securities which are not listed on any market, the price for such Securities obtained in accordance with the valuation principles specified in by the ESCB in the data base for eligible assets.

j) "Purchased Securities" means the Securities sold or to be sold by the Seller to the Buyer under that Transaction, together with any New Purchased Securities transferred by the Seller to the Buyer under clause 7 of this Agreement in respect of that Transaction.

k) "Purchase Price" means, on the Purchase Date, the price at which Purchased Securities are sold or are to be sold by the Seller to the Buyer.

l) Purchase Date" means the date (and, where appropriate, the time on that date) when the sale of Purchased Securities by the Seller to the Buyer is to become effective. For the avoidance of doubt, it shall be the date the parties have agreed that settlement of a transfer of Purchased Securities shall occur.

m) "Business Day" means (i) in relation to any obligation to make a payment any day on which all relevant parts of TARGET are operational to effect such a payment and (ii) in relation to any delivery of Securities, a day on which the securities settlement system through which delivery is to be made is open for business in the place where delivery of the relevant Securities is to be effected.

n) "Repurchased Securities" means Equivalent Securities to the Purchased Securities.
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o) "Repurchase Price" means the sum of the Purchase Price and the Price Differential.

p) "Repurchase Date" means the date (and where appropriate the time on that date) when the Buyer is to sell Equivalent Securities to the Seller in relation to that Transaction. For the avoidance of doubt, it shall be the date the parties have agreed that settlement of a transfer of Repurchased Securities shall occur.

q) "Income Payment Date" means the date on which Income is paid in respect of such Securities, or, in the case of a registered Security, the date by reference to which particular registered holders are identified as being entitled to payment of Income.

r) "Income" means all interest, dividend or other distributions thereon and shall include any amounts in respect of the redemption of any Security.

s) "Adjusted Market Value" with respect to any Security means the amount of the Market Value less any reduction to such amount ("haircut") specified in the Bank of Finland Rules on Collateral Management.

t) "Margined Amount" means

(i) as of the Purchase Date, the aggregate of the Purchase Price and the Initial Margin Amount;

(ii) as of any date after the Purchase Date, the aggregate of the Repurchase Price and the Initial Margin Amount.

u) "Equivalent Securities" means Securities of the same issuer, forming part of the same issue (irrespective of date of issue) and being of identical type, nominal value, amount and description as those Securities to which such comparison is made. If and to the extent that the Securities in respect of which the comparison is made have been redenominated, converted or a call has been made thereon, the definition of Equivalent Securities shall be modified to mean:

(i) in the case of redenomination, Equivalent Securities to the redenominated securities, together with a sum of money equivalent to the difference between the nominal value of the redenominated securities and the securities before redenomination;

(ii) in the case of conversion, Equivalent Securities to the securities into which the Securities have been converted; or

(iii) in the case of a call being made on Securities which are partly paid, Equivalent Securities to the paid-up securities, provided that the Seller shall have paid to the Buyer a sum equating to the value of the call.

3 Initiation and Confirmation

a) A Transaction may be entered into by the Buyer and the Seller in such manner and through such formalities as may be specified from time to time in the Bank of Finland Rules on the Monetary Policy Operations and Procedures, which formalities shall include the delivery by both Buyer and Seller of a written (including by electronic means) confirmation of the Transaction (a "Confirmation") in the form and manner specified from time to time in the Bank of Finland Rules on the Monetary Policy Operations and Procedures.

Confirmations relating to a Transaction shall, together with this Agreement, constitute evidence of the terms agreed between Buyer and Seller for that Transaction, unless objection is made promptly with respect to a Confirmation after receipt thereof. In the event of any conflict between the terms of such Confirmation and this Master Agreement, the Confirmation shall prevail in respect of that Transaction only.

b) The Seller shall transfer the Purchased Securities to the Buyer against the payment of
the Purchase Price by the Buyer at the time and date and in the manner prescribed by the Confirmation and the terms of this Agreement and so that settlement of such transfer shall be achieved at the Purchase Date. As of the Purchase Date, the Adjusted Market Value of the Purchased Securities must be at least equal to the Margined Amount.

c) On the Repurchase Date, in accordance with the Confirmation and the terms of this Agreement, the Buyer shall transfer Repurchased Securities to the Seller against the payment of the Repurchase Price by the Seller to the Buyer (less any amount which, pursuant to clause 5, shall then be payable by the Buyer to the Seller and which, at the Repurchase Date, remains unpaid).

4 Risk Control

a) If on the valuation date as specified in the Bank of Finland Rules on Collateral Management the aggregate Adjusted Market Value of all Purchased Securities then subject to Transactions in which the Bank of Finland is acting as the Buyer is less than the aggregate of the Margined Amounts for all such Transactions, then the Bank of Finland may, by giving notice to the Seller, require the Seller to cover the margin requirement. The Seller shall cover the margin requirement by transferring a corresponding amount of collateral to its collateral management account. The Bank of Finland shall raise the collateral requirement for the account with the amount of the margin requirement. After covering the margin requirement the aggregate of the Adjusted Market Value of the Purchased Securities and of any margin requirement so transferred shall thereupon equal or exceed an amount equivalent to the sum of the Margined Amounts for all such Transactions.

b) If on the valuation date as specified in the Bank of Finland Rules on Collateral Management the aggregate Adjusted Market Value of all Purchased Securities then subject to Transactions in which the Bank of Finland is acting as the Buyer exceeds the aggregate of the Margined Amounts for all such Transactions, then the Bank of Finland shall transfer to the Seller an amount of collateral which equals the margin requirement. The Bank of Finland shall cover the margin requirement by lowering the collateral requirement for the Seller’s collateral management account with the amount of the margin requirement. After covering the margin requirement the aggregate of the Adjusted Market Value of all Purchased Securities will thereupon not be less than an amount which equals the aggregate of the Margined Amounts for all such Transactions.

c) For the purposes of the calculations set out in (a) and (b) above, in order to determine, respectively, whether there is a margin deficit or a margin excess, the aggregate Adjusted Market Value of all Purchased Securities shall be further aggregated with the Adjusted Market Value of any margin requirements previously transferred.

d) For purposes of the calculations set out in (a) and (b) above all sums not denominated in euro shall be converted into euro on the relevant date at the Spot Rate.

e) Overriding the Seller’s margin requirement by pledging the collateral management account there have to be a Deed of Pledge made between the Counterparty and the Bank of Finland. Procedures for the timing and delivery and return of the margin requirement are as set out in the Bank of Finland Rules on Collateral Management.

5 Income Payments

Where the term of a Transaction extends over an Income Payment Date in respect of any
Securities subject to such Transaction, the Buyer shall credit to the account of the Seller an amount equal to the Income (any conversion necessary being made at the Spot Rate) and shall on the next valuation date account to the Seller for such amount plus interest thereon calculated at the Pricing Rate for the relevant Transaction.

For the avoidance of doubt, references in this clause to the amount of any Income shall be to an amount paid without any withholding or deduction for or on account of taxes or duties notwithstanding that a payment of such Income made in certain circumstances may be subject to such a withholding or deduction.

6 Payment and Transfer
a) (i) All money paid under the terms of this Agreement shall be in immediately available funds and

   (i) all money payable by one party to the other in respect of any Transaction shall be paid gross and without withholding or deduction in respect of any taxes or duties of whatsoever nature, unless such withholding or deduction is required by law, in which case, unless otherwise agreed, the payer shall pay such additional amounts as shall result in the payee receiving the amount which it would have received had no such taxes or duties been withheld or deducted.

b) All Securities to be transferred under the terms of this Agreement shall be in suitable form for transfer and (depending upon the means by which transfer of such Securities is to be effected) shall be transferred through one of the securities settlement systems as specified in the Bank of Finland Rules on Collateral Management.

c) In respect of any Transaction, the Bank of Finland shall only become subject to an obligation (i) to pay the Purchase Price or the Repurchase Price to the Counterparty when the relevant transfer of, respectively, Purchased Securities or Repurchased Securities, has been completed in accordance with the rules and/or law applicable to the method used for such transfer in accordance with (b) above, or (ii) to transfer Purchased Securities or Repurchased Securities to the Counterparty when it is satisfied that the relevant transfer of, respectively, the Purchase Price or the Repurchase Price has been completed in accordance with the rules and/or law applicable to the method used for such transfer.

d) The parties shall take all steps necessary to procure that all right, title and interest in any Purchased Securities or in any Repurchased Securities to be transferred under the terms of this Agreement shall pass to the party to which transfer is being made free from all liens, claims, charges and encumbrances.

e) Time shall be of the essence in this Agreement.

7 Substitution
a) A Transaction may be modified at any time between the Purchase Date and the Repurchase Date, by the transfer by the Buyer to the Seller of Equivalent Securities to the Purchased Securities, or Equivalent Securities to a proportion of the Purchased Securities, in exchange for the transfer by the Seller to the Buyer of other Securities ("New Purchased Securities"). The Market Value of these Securities at the date of such substitution shall be at least equal to the Market Value of the Securities transferred to the Seller and the margin requirement covered earlier, in relation to such substitution.

b) Subject to (c) below, such modifications shall require the prior agreement of both parties and determination of whether all or a proportion of Securities subject to a Transaction shall be substituted and the amount and description of New Purchased Securities
shall be as agreed between the parties.

c) Irrespective of the terms of (b) above where, during the lifetime of any Transaction, Purchased Securities in relation to such Transaction cease to be Securities as defined herein, the Bank of Finland shall have the right to require modification in accordance with (a) above so that the New Purchased Securities shall be Securities.

d) Any substitution in accordance with (a) or (b) above shall be effected in compliance with clause 6(b) and (d) hereof and the Bank of Finland shall only become subject to an obligation to transfer Securities to the Counterparty in relation to such a substitution procedure when it is satisfied that the relevant transfer of Securities to it has been completed in accordance with the rules and/or law applicable to the method used for such transfer.

e) Subject to (d) above, transfers of Securities required to be effected pursuant to a substitution in accordance with (a) or (b) above shall be made by the relevant party within such period of time as is appropriate in the context of the relevant Securities.

f) A Transaction which is subject to the substitution procedure described in (a) above shall thereafter continue in effect as though the Purchased Securities under that Transaction consisted of or included the New Purchased Securities instead of those Securities which were classed as Purchased Securities prior to such substitution and in all other respects the terms of this Agreement shall continue to apply to that Transaction and the Transaction shall otherwise continue on the same terms and shall constitute in all other respects a continuation of the same obligation as prior to such substitution.

g) Collateral pledged on the collateral management account shall be substituted according to the Deed of Pledge and the Bank of Finland Rules on Collateral Management.

8 Representation

Each party represents and warrants to the other that at the time of transfer to the other party of any Securities it will have the full and unqualified right to make such transfer and that upon such transfer of Securities the other party shall receive all right, title and interest in and to those Securities free of any rights or claims of any third party.

9 Events of Default

a) If any or any combination of the events set out respectively in (i), (ii) or (iii) below occur in relation to the Counterparty, an Event of Default shall be considered to have occurred and the provisions in sub-clauses (b) to (g) below shall apply:

(i) (aa) a credit institution acting as the Counterparty has been put into liquidation in accordance with the Commercial Bank Act, the Savings Bank Act or the Cooperative Bank Act or been declared bankrupt in accordance with the Bankruptcy Act; or

(bb) a procedure of a foreign jurisdiction corresponding to (aa) is applicable to the Counterparty;

(ii) (aa) the Ministry of Finance has, in accordance with the Act on the temporary suspension of the business of a deposit bank, decided to temporarily suspend the business of a credit institution acting as the Counterparty or to temporarily restrict its business in accordance with the Credit Institutions Act;

(bb) the Ministry of Finance has applied for reorganisation under the Reorganisation of Enterprises Act of a credit institution acting as the Counterparty; or
Bank of Finland rules for counterparties and customers

Monetary Policy

Agreements concerning monetary policy instruments

(cc) a procedure of a foreign jurisdiction corresponding to (aa) or (bb) is applicable to the Counterparty; or

(dd) a declaration by the Counterparty in writing of its inability to pay all or any part of its debts or to meet its obligations arising in relation to this Agreement, or a voluntary general agreement or arrangement entered into by it with its creditors, or the Counterparty is, or is deemed to be, insolvent or is deemed to be unable to pay its debts; or

(ee) procedural steps being taken preliminary to a decision being taken under (i) or (ii) (aa) to (cc) above; or

(ff) whilst acting as the Buyer, the Counterparty fails to pay the Purchase Price or, whilst acting as the Seller, the Counterparty fails to deliver Securities, on the applicable Purchase Date; or,

(gg) whilst acting as the Seller, the Counterparty fails to pay the Repurchase Price or whilst acting as the Buyer the Counterparty fails to deliver Repurchased Securities on the applicable Repurchase Date; or

(hh) the Counterparty fails to comply with clause 4; or

(ii) the Counterparty fails to comply with clause 5; or

(jj) any representation made by the Counterparty in accordance with clause 8 above or which is implied to have been made by the Counterparty under applicable provisions of law is incorrect or untrue; or

(kk) the Counterparty has an authorisation to conduct activities under the Directive relating to the taking up and pursuit of the business of credit institutions (Council Directive 2000/12/EC) as implemented or under the Investment Services Directive (Council Directive 93/22/EEC) as implemented suspended or revoked; or

(ll) the Counterparty is suspended or expelled from membership of any securities exchange or association or is suspended or expelled from membership of any payment system or arrangement through which payments under this Agreement are made

(mm) measures such as are referred to in Article 22 of the Directive relating to the taking up and pursuit of the business of credit institutions (Council Directive 2000/12/EC) are taken against the Counterparty; or

(nn) the Counterparty is in other breach of any obligation to the ECB, the Bank of Finland or any other central bank of a Member State participating in Stage Three of EMU arising out of any agreement

and the Bank of Finland serves a Default Notice on the Counterparty.

(iii) the Counterparty fails to perform any other of its obligations hereunder and (if capable of remedy) does not remedy such failure within 30 days after notice is given by the Central Bank requiring it to do so, and the Bank of Finland subsequently serves a Default Notice on the Counterparty.

b) The Repurchase Date for each Transaction hereunder shall be deemed immediately to occur and, subject to the following provisions, the collateral management account shall be lowered by any margin requirement given by the Counterparty. The performance of respective obligations of the parties with respect to the delivery of Securities and the payment of the Repurchase Price for any Repurchased Securities shall be effected only in accordance with the provision of (c) below).

c) (i) The Default Market Values of the Repurchased Securities and any margin requirements to be transferred and the Repurchase Price to be paid by each party shall be established by the Bank of Finland for all Transactions as at the Repurchase Date; and

(ii) on the basis of the sums so established, a calculation shall be made by the Bank
d) Following the occurrence of an Event of Default, the Counterparty shall be liable to the Bank of Finland for the amount of all reasonable legal and other professional expenses incurred by the Bank of Finland in connection with or as a consequence of such Event of Default, together with interest thereon at EONIA or the marginal lending rate as defined in the Bank of Finland Rules on the Monetary Policy Instruments and Procedures, whichever is the higher, plus 2% or, in the case of an expense attributable to a particular Transaction, at the Pricing Rate for the relevant Transaction if that Pricing Rate is greater than EONIA or the marginal lending rate whichever is the higher, plus 2%.

e) The Counterparty shall be obliged to notify the Bank of Finland of the occurrence of any Event of Default or any of the facts set out in (a) (ii) (aa) to (nn) above as soon as it is aware of such occurrence.

f) Following the occurrence of an Event of Default the Bank of Finland shall have, in addition to its rights hereunder, any rights otherwise available to it under any other agreement or applicable law and, in particular, irrespective of the need to make the calculations in (c) (ii) above and notwithstanding the terms of (b) above;

(i) in relation to Transactions where the Bank of Finland is the Buyer, it shall decide whether, on the Repurchase Date, it will sell the Purchased Securities, Securities pledged as margin requirement and/or New Purchased Securities or whether it will retain them; and,

(ii) in relation to Transactions where the Bank of Finland is the Seller, it may on or about the Repurchase Date purchase Repurchased Securities and elect to treat the actual purchase price thereof, increased by any reasonable costs, fees and expenses incurred in connection therewith, as the Default Market Value for such Repurchased Securities.

g) Following the occurrence of the circumstances described in sub-clause (a) (ii) (gg) above in relation to a Transaction, the Bank of Finland shall be entitled, rather than serving a Default Notice, to set a new Repurchase Date for such Transaction and may also set a new Pricing Rate, which new Pricing Rate shall apply to that Transaction from the original Repurchase Date to the new Repurchase Date.

10 Failure on Initiation of Transaction

a) If the Seller fails to deliver Purchased Securities to the Buyer on the applicable Purchase Date, the Buyer may:

(i) if it has paid the Purchase Price to the Seller, require the Seller immediately to repay such sum;

(ii) at any time while such failure continues, terminate the Transaction by giving notice to the Seller. On such termination the obligations of the Seller and the Buyer with respect to delivery of Purchased Securities and Repurchased Securities shall terminate and the Seller shall pay to the Buyer an amount equal to the excess of the Repurchase Price over the Purchase Price as of the date of such termination.
b) If the Buyer fails to transfer the Purchase Price to the Seller on the applicable Purchase Date, the Seller may:

   (i) if it has delivered the Purchased Securities to the Buyer, require the Buyer immediately to re-transfer the Purchased Securities;

   (ii) at any time while such failure continues, terminate the Transaction by giving notice to the Buyer. On such termination the obligations of the Seller and the Buyer with respect to transfer of the Purchase Price and the Repurchase Price shall terminate.

c) For the avoidance of doubt, the provisions in clause 10 (a) and (b) above do not impact upon the acknowledgement set out in clause 1(c) above and the exercise of the rights in clause 10 (a) or (b) in relation to a Transaction shall have no impact upon any other Transaction.

d) Rights under clauses 9(f), 10 (a) and (b) above are independent of rights to serve a Default Notice under clause 9(a)(ii) (ff) and (gg).

e) The Bank of Finland shall have the right to claim against the Counterparty for any damage which it suffers as a result of the Counterparty failing to deliver Purchased Securities or to pay the Purchase Price in respect of a Transaction on the applicable Purchase Date.

11 Consequential Damage
Other than as stated in 10 (e) above, neither party may claim any sum by way of consequential damage in the event of a failure by the other party to perform any of its obligations under this Agreement.

12 Interest
To the extent permitted by applicable law, if any sum of money payable hereunder or under any Transaction is not paid when due, interest shall accrue on such unpaid sum as an additional debt at EONIA or the marginal lending rate as defined in the Bank of Finland Rules on Monetary Policy Instruments and Procedures, whichever is the higher, plus 2% on a 360 day basis, for the actual number of days during the period from and including the date on which payment was due to, but excluding, the date of actual payment.

13 Notices and Other Communications
a) Any notice including confirmations or other communication to be given under this Agreement

   (i) shall be as set out in the Bank of Finland Rules on the Monetary Policy Instruments and Procedures or made through SWIFT and shall be in written form, except where expressly otherwise provided in this Agreement;

   (ii) may be given in writing, by telex, by facsimile transmission, certified or registered mail, or electronic messaging system;

   (iii) shall be sent to the party to whom it is to be given at the address or telex or facsimile number or with the electronic messaging.

b) Any such notice or other communication shall be effective

   (i) if in writing and delivered in person or by courier, at the time when it is delivered;

   (ii) if sent by telex, at the time when the recipient's answer-back is received;
(iii) if sent by facsimile transmission, at the time when the transmission is received by responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);

(iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), at the time when that mail is delivered or its delivery is attempted;

(v) if sent by electronic messaging system, at the time that electronic message is received;

except that any notice or communication which is received, or delivery of which is attempted, after close of business on the date of receipt or attempted delivery or on a day which is not a day on which the Bank of Finland is open shall be treated as having been given at the opening of the Bank of Finland on the next following day which is such a day.

c) Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

d) The parties agree that they each may electronically record all telephone conversations between them which relate to the operation of this Agreement.

14 Entire Agreement; Severability

This Agreement shall supersede any existing agreements between the parties containing general terms and conditions for Transactions. Each provision and agreement herein shall be treated as separate from any other provision or agreement herein and shall be enforceable notwithstanding the unenforceability of any such other provision or agreement.

15 Non-assignability

The rights and obligations of the parties under this Agreement and under any Transaction shall not be assigned, charged or otherwise dealt with by the Counterparty without the prior written consent of the Bank of Finland.

16 Duration/Termination

a) This Agreement shall continue in force and effect for an indefinite period.

b) Either party may terminate this Agreement, subject to one month's prior written notice to the other party (“Notice of Termination”). A Notice of Termination shall not affect any Transaction which has been entered into and is outstanding prior to its delivery and the terms of this Agreement shall continue to apply to each such Transaction until all of the obligations of each party to the other in respect thereof under this Agreement have been performed. No new Transactions shall be entered into under this Agreement following delivery of a Notice of Termination.

17 Governing Law and Jurisdiction

This Agreement and each Transaction shall be governed by and construed in accordance with the laws of Finland. For the benefit of the Bank of Finland, the Counterparty hereby irrevocably submits for all purposes of or in connection with this Agreement and each Transaction to the jurisdiction of the Helsinki District Court.
Nothing in this paragraph shall limit the right of the Bank of Finland to take proceedings in the courts of any other country of competent jurisdiction.

Date
1.1.4 Agreement on the reserve account

Account holder: XX BANK LTD
Account number: (IBAN XX)
BIC code: XXXXXXXX

1 Purpose of the Agreement
This Agreement lays down the procedures and responsibilities according to which the account holder shall have access to a reserve account at the Bank of Finland. The reserve account is used for fulfilling the account holder’s minimum reserve requirement. The reserve account may not be used in other payment transactions.

2 Terms and conditions
The account holder may deposit or withdraw funds held in the reserve account for fulfilling the minimum reserve requirement. The interest rate set by the ECB for application to minimum reserves shall be applied to the reserve account. This interest rate is defined in the Bank of Finland Rules on monetary policy instruments and procedures. There is no overdraft facility connected with the reserve account.

The number of transactions per month is limited to ten (10). The Bank of Finland shall make entries to the account in a manner agreed separately between the Bank of Finland and the account holder.

The Bank of Finland will collect service fees for maintaining the account and for executing payments from the account, according to the tariffs currently applied by the Bank, as specified in Appendix 1 to this Agreement. Service fees will be debited directly in the reserve account.

The Payment and Settlement Division of the Bank of Finland provides advice on questions concerning services covered by this Agreement on general business days in Finland from 9:00 am to 4:00 pm, except for New Year’s Eve and Maundy Thursday, when the service ends at 1:00 pm.

The Bank of Finland will send an account statement to the account holder by mail or encrypted email. The account statement will be sent on the business day following the date of the account statement, whenever entries have been made to the account and in respect of the last business day of the year.

3 Publication of the names of account holders
The Bank of Finland may publish the names of the account holders to which it has granted the right to a reserve account.

4 Responsibility of the account holder
The account holder shall be responsible for the accuracy of all its orders relating to the reserve account. In addition, the account holder shall be responsible for the proper fulfilment of its reserve requirement and for the availability of adequate funds in the account at any given time to pay service fees.
5 **Use of co-manager**

The account holder may authorise a third party to act as co-manager. The co-manager shall be a direct participant in any TARGET2 component system. The co-manager shall be responsible for debiting the reserve account, monitoring the account and transmitting account statements from the system to the account holder in a manner agreed between the parties.

The account holder shall conclude the necessary agreements with the co-manager.

6 **Responsibility of the Bank of Finland**

The Bank of Finland will observe due diligence in the maintenance of the reserve account.

The Bank of Finland undertakes to correct, at its own expense, all error situations caused by the software or hardware used by the Bank of Finland.

The Bank of Finland shall not be liable to the account holder for any direct damage resulting from the maintenance of the reserve account unless the damage is due to negligence by the Bank of Finland or an employee thereof. Such action may be the result of carelessness or neglect or failure to observe instructions, and it must have caused substantial damage. The Bank of Finland will compensate the account holder only for direct damages in the form of lost interest or undue benefits received by the Bank of Finland.

The Bank of Finland shall not be liable for any indirect damages caused to the account holder or a third party.

The Bank of Finland shall not be liable for the activities of the co-manager.

7 **Confidentiality**

Information regarding the terms and conditions associated with the reserve account and other information contained in this Agreement are bank and trade secrets, and a party to the Agreement shall not disclose such information to a third party without the prior written consent of the other party. The same applies to any information acquired by a party to the Agreement in the course of its duties. Notwithstanding the above, the Bank of Finland shall be entitled to aggregate reserve account data and to use the aggregated data in surveys, research and statistics. In addition, the Bank of Finland shall be entitled to submit information concerning the reserve account to the European Central Bank if such information is required for monetary policy implementation.

8 **Force majeure**

Neither the Bank of Finland nor the account holder shall be liable for damages caused by an external event beyond parties’ normal control (force majeure).

9 **Resolution of disputes**

The parties to the Agreement shall be entitled to have any disputes concerning this Agreement dealt with and resolved by the Helsinki District Court.

10 **Contact persons**

The account holder shall keep the Bank of Finland updated as to names of persons authorised to give orders in respect of the reserve account and shall submit their addresses and signatures samples to the Bank. In addition, the account holder shall provide the Bank of Finland with the name and address of the person to whom account statements for the reserve account are to be sent.
11 **Governing law**

This Agreement shall be governed by the law of Finland, the Council Regulation (EC) No 2531/98 concerning the application of minimum reserves by the European Central Bank and the Regulations of the European Central Bank (EC) No 1745/2003 and (EC) No 1358/2011 on the application of minimum reserves or later regulations concerning amendment of these regulations.

12 **Appendices to the Agreement**

Service fees shall be regulated in detail by Appendix 1 to this Agreement. The Bank of Finland is entitled to amend the Appendix unilaterally, at its discretion.

13 **Entry into force of the agreement**

This Agreement shall enter into force on 18 February 2008 and shall continue until further notice.

A party to the agreement shall not be entitled to assign any part of this agreement to a third party without the prior written consent of the other party.

The account holder may terminate the agreement immediately at the time its written notice of termination is received by the Bank of Finland. The reserve account may then be closed at the end of the business day, if the parties to the agreement have jointly verified that there are no outstanding transactions in respect of the reserve account or if the parties to the agreement agree on settling any outstanding transactions via another account.

The Bank of Finland may terminate the agreement at one (1) month’s written notice to the account holder.

Place and date

BANK OF FINLAND

XX Bank
Appendix 1 to Agreement on the reserve account: service fees collected by the Bank of Finland

1 Service fees

The account management fee includes compensation for payment execution by the Bank of Finland from the reserve account. The account management fee is charged for each full calendar month during which the account holder has had access to the reserve account. However, no account management fee will be collected if no reserve requirement has been imposed on the account holder and there are no funds in the account during such a calendar month.

The account holder is responsible for its own telecommunication charges relating to the administration of the account (including SWIFT expenses, if any).

Account management fee EUR 0 per month

2 Debiting of service fees to the account holder

The Bank of Finland will, on a quarterly basis, directly debit the account holder’s reserve account for accrued service fees, on the same day that interest for the previous maintenance period is credited.
1.2.1 Introduction

The European System of Central Banks (ESCB) consists of the European Central Bank (ECB) and the national central banks of the EU Member States. The term ‘Eurosystem’ is used to denote the ECB and the national central banks of the Member States which have adopted the single currency in accordance with the Treaty on the Functioning of the European Union. The activities of the ESCB are carried out in accordance with the Treaty on the Functioning of the European Union and the Statute of the European System of Central Banks and the European Central Bank (Statute of the ESCB). The ESCB is governed by the decisionmaking bodies of the ECB. In this respect, the Governing Council of the ECB is responsible for the formulation of monetary policy, while the Executive Board is empowered to implement monetary policy according to the decisions and guidelines laid down by the Governing Council. To the extent deemed possible and appropriate and with a view to ensuring operational efficiency, the ECB has recourse to the national central banks 1 to carry out the operations which form part of the tasks of the Eurosystem. The Eurosystem’s monetary policy operations are executed on uniform terms and conditions in all Member States 2. The national central banks (NCBs) may, if necessary for the implementation of monetary policy, share amongst the Eurosystem members individual information, such as operational data, related to counterparties participating in Eurosystem operations. Such information is covered by the obligation of professional secrecy under Article 37 of the Statute of the ESCB. (Amendment 10 October 2010)

These rules, which constitute part of the legal documentation of the relationship between the Bank of Finland and the counterparties, are annexed to the Counterparty Agreement between the Bank of Finland and the credit institutions. Signing of the Counterparty Agreement is one of the operational eligibility criteria for participation as a counterparty for the monetary policy operations of the Eurosystem. 3

In the case of a change in these rules, the Bank of Finland will issue the revised versions of the items in question and notify the counterparty either in writing or in electronic form. The change will become effective on the announced date, and the corresponding item previously in effect will be automatically revoked.

All times referred to in these Rules are in Finnish time.

For further information on these rules, please contact Banking Operations at the Bank of Finland, tel. +358 10 831 2253.

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1 In these Rules, the term ‘national central bank’ refers to the national central banks in the Eurosystem.
2 In these Rules, the term ‘Member State’ refers to a Member State in the Eurosystem.
3 For more details, see the ECB publication ‘The implementation of monetary policy in the euro area: General documentation on Eurosystem monetary policy instruments and procedures’.
1.2.2 Eligible counterparties

1.2.2.1 General eligibility criteria

Counterparties for the monetary policy operations of the Eurosystem must fulfil the following eligibility criteria:

- Only institutions subject to the Eurosystem’s minimum reserve system according to Article 19.1 of the ESCB/ECB Statute are eligible to be counterparties. Institutions which are exempt from their obligations under the Eurosystem’s minimum reserve system are not eligible to be counterparties to Eurosystem standing facilities and open market operations.

- Counterparties must be financially sound. They should be subject to at least one form of EU/EEA harmonized supervision by national authorities. In view of their specific institutional nature under Union law, financially sound institutions within the meaning of Article 123(2) of the Treaty on the Functioning of the European Union that are subject to scrutiny of a standard comparable to supervision by competent national authorities can be accepted as counterparties. Financially sound institutions that are subject to non-harmonized national supervision by national authorities of a standard comparable to harmonised EU/EEA supervision can also be accepted as counterparties, eg branches established in the euro area of institutions incorporated outside the EEA; (Amendment 10 October 2010)

- Counterparties must fulfil the operational criteria specified separately in these rules by the Bank of Finland.

These general eligibility criteria are uniform throughout the euro area. Institutions fulfilling the general eligibility criteria may:

- access the Eurosystem’s standing facilities;
- participate in the Eurosystem’s open market operations based on standard tenders.

A counterparty who wishes to participate in the Eurosystem’s open market operations and have access to standing facilities must sign the Counterparty Agreement with the Bank of Finland. To ensure the smooth implementation of monetary policy operations, a counterparty should also open a PM account in TARGET2-Suomen Pankki. Counterparties submit their bids for tender operations via the eTender electronic bidding system. For monitoring collateral positions, counterparties should use the Bof-CMS-Cola collateral management system. (Amendment 1 December 2014)

Institutions incorporated in Finland may access the Eurosystem’s standing facilities and open market operations based on standard tenders only through the Bank of Finland. If an institution has establishments (head office or branches) in more than one Member State, each establishment has access to these operations through the national central bank of the Member State in which it is located, notwithstanding the fact that the tender bids of an institution may only be submitted by one establishment (either the head office or a designated branch) in each Member State. (Amendment 10 October 2010)

Counterparties shall be deemed to be aware of, and shall comply with, all obligations imposed on them by anti-money laundering and counter-terrorist financing legislation. (Amendment 1 January 2012)

1 Harmonised supervision of credit institutions is based on Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (revised text).
1.2.2.2 Selection of counterparties for fine-tuning operations

To qualify as a counterparty for the Bank of Finland's fine-tuning operations, the institution's unit operating in Finland must have a direct telephone line to the Operations Division of the Bank of Finland. Counterparties for the specific operations must fulfil the following additional criteria:

- For foreign exchange swaps, the counterparties correspond to the counterparties established in the euro area that are selected for foreign exchange intervention operations.\(^{2}\) (Amendment 10 October 2010)

- For fine-tuning operations in the form of reverse transactions and fixed-term deposits, the Bank of Finland selects a set of counterparties among the institutions established in Finland which fulfil the general counterparty eligibility criteria. This selection is based on activity in the money market, the efficiency of the trading desk and the bidding potential.

In operations based on quick tenders and bilateral procedures, the Bank of Finland deals with counterparties which are included in its respective group of fine-tuning counterparties. A broader range of counterparties is also possible. If, for operational reasons, the Eurosystem cannot deal in each operation with all of its fine-tuning counterparties, the selection of counterparties will be based on a rotation scheme.

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\(^{2}\) Counterparties for foreign exchange intervention operations must be creditworthy in the view of the Eurosystem, subject to supervision by a recognized supervisor, follow high ethical standards, and have a good reputation. In addition to these minimum prudence criteria, a second set of criteria based on efficiency considerations, such as competitive pricing behaviour and the counterparty’s ability to handle large volumes even in turbulent market conditions, will be applied. The Bank of Finland informs individually each credit institution of the Bank’s decision on approval of the credit institution as a counterparty for foreign exchange intervention operations.
1.2.3 Open market operations

1.2.3.1 Reverse transactions

Reverse transactions refer to operations where the Eurosystem buys or sells eligible assets under repurchase agreements or conducts credit operations against eligible assets as collateral. The Bank of Finland executes reverse operations mainly in the form of credit operations against eligible assets as collateral. The provisions for reverse transactions based on repurchase agreements are specified in the Master Repurchase Agreement applied by the Bank of Finland.

Legal nature

The Bank of Finland may execute reverse transactions either

- as collateralized loans, in which case an enforceable security interest is provided over the assets but, assuming fulfilment of the debt obligation, the ownership of the asset is retained by the debtor; or
- in the form of repurchase agreements, in which case the ownership of the asset is transferred to the creditor and the parties agree to reverse the transaction through a re-transfer of the asset to the debtor at a future point in time.

Interest terms

The difference between purchase price and repurchase price in a repurchase agreement corresponds to the interest due on the amount of money borrowed or lent over the maturity of the operation, ie the repurchase price includes the interest to be paid. The interest rate on a reverse transaction in the form of a collateralized loan is determined by applying the specified interest rate on the credit amount over the maturity of the operation.

The interest rate applied to the Eurosystem's reverse open market operations is a simple interest rate with the day-count convention 'actual/360'.

Eligible assets

Marketable assets accepted by the Eurosystem and publicly listed by the ECB and non-marketable assets accepted separately in respect of each counterparty are eligible as underlying assets for reverse transactions. The Bank of Finland's counterparties may use eligible assets located in another Member State, by operating in accordance with the Correspondent Central Banking Model, or using some other system accepted by the ECB.

The eligibility criteria and risk control measures applied to the assets are described in the Bank of Finland Rules on collateral management.

1.2.3.2 Outright transactions

Outright open market transactions refer to operations where the Eurosystem buys or sells eligible marketable assets outright on the market.

Legal nature

An outright transaction implies a full transfer of ownership of marketable assets from the seller to the buyer with no connected reverse transfer of ownership. The transactions are executed in accordance with market conventions for the debt instrument used in the transaction.

Price terms

In the calculation of prices, the Eurosystem acts in accordance with the most widely accepted market convention for the debt instruments used in the transaction.
**Other operational features**

The other operational features of outright transactions can be summarized as follows:

- They are executed through bilateral procedures;
- For outright transactions, there are no additional criteria set a priori in respect of counterparties, apart from the requirement concerning the direct telephone line.
- Only marketable assets are used as underlying assets in outright transactions.

### 1.2.3.3 Issuance of ECB debt certificates

**Legal nature**

The certificates constitute a debt obligation of the ECB vis-à-vis the holder of the certificate. The certificates are issued and held in book-entry form in securities depositories in the euro area. The ECB does not impose any restrictions on the transferability of the certificates. Further provisions related to ECB debt certificates will be contained in the terms and conditions for such certificates. *(Amendment 10 October 2010)*

**Interest terms**

ECB debt certificates are issued in discount form, ie they are issued at below the nominal amount and are redeemed at maturity at the nominal amount. The difference between issue amount and redemption amount equals the interest accrued on the issue amount, at the agreed interest rate, over the maturity of the certificate. The interest rate applied is a simple interest rate with the day-count convention 'actual/360'.

**Other operational features**

The operational features of the issuance of ECB debt certificates can be summarized as follows:

- The certificates have a maturity of less than twelve months;
- The certificates are issued through standard tenders.

### 1.2.3.4 Foreign exchange swaps

**Legal nature**

Foreign exchange swaps executed for monetary policy purposes refer to operations where the Eurosystem buys (or sells) euro spot against a foreign currency and, at the same time, sells (or buys) it back forward at a specified repurchase date. The provisions for foreign exchange swaps are specified in the Master Foreign Exchange Swap Agreement applied by the Bank of Finland.

**Currency and exchange rate terms**

As a rule, foreign exchange swap operations are executed only in widely traded currencies and in accordance with standard market practice. In each foreign exchange swap operation, the Eurosystem and the counterparties agree on the swap points for the transaction. The swap points are the difference between the exchange rate of the forward transaction and the exchange rate of the spot transaction. The swap points of the euro vis-à-vis the foreign currency are quoted according to general market conventions.

**Other operational features**

The operational features of foreign exchange swaps can be summarized as follows:

- Their maturity is not standardized;
- They are executed through quick tenders or bilateral procedures;
1.2.3.5 Collection of fixed-term deposits

Legal nature
The deposits accepted from counterparties are fixed-term deposits with fixed rates of interest. No collateral is posted by the Eurosystem in exchange for such deposits.

Interest terms
The interest rate applied to the deposit is a simple interest rate with the day-count convention 'actual/360'. Interest is paid at maturity of the deposit.

Other operational features
The operational features of the collection of fixed-term deposits can be summarized as follows:

• The maturity of the deposits is not standardized;
• The collection of deposits is normally executed through quick tenders, although the possibility of using bilateral procedures is not excluded;
• The Bank of Finland may select, according to the criteria specified in section 1.2.2.2, a limited number of counterparties for the collection of fixed-term deposits.
1.2.4 Standing facilities

Counterparties may use standing facilities to obtain overnight liquidity from the Bank of Finland or to make overnight deposits with the Bank of Finland. The rates of interest on liquidity credit and on overnight deposits are set in advance by the ECB.

1.2.4.1 Marginal lending facility

Legal nature

The Bank of Finland may provide liquidity under the marginal lending facility against eligible collateral as follows:

- As overnight collateralised loans, in which case an enforceable security interest is provided over the assets but, assuming fulfilment of the debt obligation, ownership of the assets is retained by the debtor;
- In the form of overnight repurchase agreements, in which case ownership of the assets is transferred to the creditor and the parties agree to reverse the transaction through a re-transfer of the assets to the debtor on the next business day (the provisions for repurchase agreements are specified in the Master Repurchase Agreement applied by the Bank of Finland).

Access conditions

Institutions fulfilling the general counterparty eligibility criteria specified in section 1.2.2.1 may access the marginal lending facility. Access to the marginal lending facility is granted only on days when the TARGET2 system is operational. On days when the relevant securities settlement systems are not operational, liquidity under the marginal lending facility is provided against collateral submitted in advance to the Bank of Finland.

At end-of-day, counterparties' debit positions on their PM accounts in TARGET2-Suomen Pankki are automatically considered to be a request for recourse to the marginal lending facility. A counterparty may also be granted access to the marginal lending facility after submitting a request to the Bank of Finland. In order for the Bank of Finland to process the request on the same day, the request must normally be received by the Bank of Finland no later than 15 minutes after the closing time for TARGET2-Suomen Pankki. The deadline for the request on the last Eurosystem business day of a maintenance period for minimum reserves is 30 minutes after closing time for TARGET2-Suomen Pankki. The request must be submitted by phone to the Bank of Finland's Collateral Management Customer Service, 010 831 2171. After which, the account holder must immediately send a confirmation of the request by fax to 010 831 2920. In the request, the amount of credit is to be stated and, if underlying assets for the transaction have not been pre-delivered to the Bank of Finland, the underlying assets to be delivered for the transaction must be specified. Apart from the requirement to present sufficient underlying eligible assets, there is no limit on the amount of funds provided via the marginal lending facility.

Maturity and interest terms

The maturity of credit extended under the marginal lending facility is overnight. For counterparties participating directly in TARGET2-Suomen Pankki, the credit is repaid on the next day on which TARGET2-Suomen Pankki and the relevant securities settlement system are operational, at the time at which those systems open.

The interest rate is announced in advance by the ECB and is calculated as a simple interest rate with the day-count convention 'actual/360'. The ECB may change the interest rate.

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1 Eurosystem business day refers to any day on which the ECB and at least one national central bank are open for the purpose of conducting Eurosystem monetary policy operations.
rate at any time, with effect not earlier than the following Eurosyst
1.2.5 Procedures

All payments relating to monetary policy operations (other than foreign currency-denominated payments in foreign exchange swaps) are expressed in euro.

In these rules and in respect of an obligation to make a payment, a business day means any day on which all relevant parts of TARGET2 are operational to effect such a payment. In respect of an obligation to deliver securities, a business day is any day on which the securities settlement systems through which delivery is to be made are open for business in the place where delivery of the securities in question is to be effected.

The counterparties shall provide the Bank of Finland with all the information required for the Eurosystem’s monetary policy operations. All declarations and notifications shall be submitted to the Bank of Finland either in writing or electronically. Confirmations related to operations, in particular, shall be delivered and verified without delay.

1.2.5.1 Tender procedures

1.2.5.1.1 General considerations

Eurosystem open market operations are normally executed in the form of tender procedures. The Eurosystem distinguishes between two different types of tender procedures: **standard tenders** and **quick tenders**. The procedures for standard and quick tenders are identical except for the time frame and the range of counterparties.

**Standard tenders** are executed within 24 hours from the announcement of the tender to certification of the allotment result (where the time between submission deadline and announcement of the allotment is approximately two hours).

**Quick tenders** are normally executed within a time frame of 90 minutes from the announcement of the tender to certification of the allotment.

The ECB may revise the time frame in individual operations, if deemed appropriate.

**Fixed rate and variable rate tenders**

The Eurosystem may conduct either fixed rate (volume) or variable rate (interest) tenders. In a fixed rate tender, the ECB specifies the interest rate in advance and participating counterparties bid the amount of money they want to transact at the fixed interest rate.

In variable rate tenders, counterparties bid the amounts of money and the interest rates at which they want to enter into transactions.

1.2.5.1.2 Tender operations calendar

The main and the longer-term refinancing operations are executed according to an indicative calendar published by the Eurosystem (Annex 1). The calendar is published at least three months before the start of the year for which it is valid.

1.2.5.1.3 Announcement of tender operations

Eurosystem standard tenders are publicly announced by means of wire services and the ECB’s website. A public tender announcement normally contains the following information:

- reference number of the tender operation;
- date of the tender operation;
- type of operation (provision or absorption of liquidity and type of monetary policy instrument to be used);

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1 In fixed rate foreign exchange swap tenders, the ECB fixes the swap points of the operation and the counterparties offer the amount of the currency kept as fixed that they wish to sell (and buy back) or buy (and sell back) at that rate.

2 In variable rate foreign exchange swap tenders, the counterparties bid the amount of the currency kept as fixed and the swap point quotation at which they wish to enter into the operation.
• maturity of the operation;
• type of auction (fixed rate or variable rate tender)
• method of allotment (‘Dutch’ or ‘American’ auction, as defined in Section 1.2.5.1.5);
• intended operation volume (only in the case of longer-term refinancing operations);
• fixed tender interest rate/price/swap point (only in the case of fixed rate tenders);
• minimum/maximum accepted interest rate/price/swap point (if applicable);
• starting date and maturity date of the operation (if applicable) or value date and maturity date of the instrument (in the case of issuance of ECB debt certificates);
• currencies involved and the currency, the amount of which is kept fixed (in the case of foreign exchange swaps);
• reference spot exchange rate to be used for the calculation of bids (in the case of foreign exchange swaps);
• maximum bid limit (if any);
• minimum individual allotment amount (if any);
• minimum allotment ratio (if any);
• time schedule for submission of bids;
• denomination of the certificates (in the case of issuance of ECB debt certificates);
• ISIN code of the issue (in the case of issuance of ECB debt certificates).

Bank of Finland counterparties also receive notification of tender operations via the eTender electronic bidding system after the ECB has published the announcement. (Amendment 1 June 2013)

The ECB reserves the right to take any action it deems appropriate in order to correct an error in the tender announcement, including cancelling or suspending a tender operation under execution (Amendment 3 January 2013)

The Eurosystem normally announces quick tenders publicly in advance. The announcement of quick tenders follows the same procedures as those for standard tenders. In a quick tender, which is not announced publicly in advance, the selected counterparties are contacted directly by the national central banks. In a quick tender, which is announced publicly, the national central bank may contact the selected counterparties directly.

1.2.5.1.4 Procedures concerning tender bids

The bids of a counterparty institution may only be submitted by one establishment in Finland (either the head office or a designated branch).

In fixed rate tenders, counterparties shall state in their bids the amount of money that they are willing to transact. 3

In variable rate tenders, counterparties may submit bids for up to ten different interest rate/price/swap point levels. In exceptional circumstances the Eurosystem may impose a limit on the number of bids that may be submitted as regards variable rate tenders. In each bid, counterparties must state the amount of money that they are willing to transact with the Eurosystem, and the respective interest rate. 4, 5 The interest rates bid must be expressed as

3 In fixed rate foreign exchange swaps, the amount of the currency kept fixed that the counterparty is willing to transact with the Eurosystem is to be stated.
4 With regard to the issuance of ECB debt certificates, the ECB may decide that bids are to be expressed in the form of a price rather than an interest rate. In such cases, prices shall be quoted as percentages of the nominal amount.
multiples of 0.01 percentage point. In the case of a variable rate foreign exchange swap tender, the swap points are to be quoted according to standard market conventions and bids must be expressed as multiples of 0.01 swap point. (Amendment 10 October 2010)

Bids may be submitted for a minimum bid amount of EUR 1,000,000. Bids exceeding the minimum bid amount must be expressed as multiples of EUR 100,000, except for longer term refinancing operations, in which bids exceeding the minimum bid amount must be expressed as multiples of EUR 10,000. These minimum bid amounts are applied to each individual interest rate/price/swap point level.

The ECB may impose a maximum bid limit in order to prevent disproportionately large bids. Such a maximum bid limit must be specified in the public tender announcement.

Counterparties are expected to always be in a position to cover the amounts allotted to them by a sufficient amount of eligible underlying assets or to settle them in cash in the case of liquidity-absorbing operations.

Bids must be submitted prior to the deadline to the Market Operations Division of the Bank of Finland’s Banking Operations Department using the eTender electronic bidding system. If the eTender system is unavailable for technical reasons, the contingency procedure is to submit the bids by telephone, on +358 10 831 7004 or using the bank-specific line. The bids should then be confirmed by fax on +358 9 626 038 using the pro forma tender bid form in Annex 2. (Amendment 1.6.2013). Bids are revocable up to the tender submission deadline. Bids submitted after the deadline specified in the tender announcement are invalid. Respect of the deadline is judged by the Bank of Finland. The Bank of Finland discards all the bids of a counterparty if the aggregate amount bid exceeds any maximum bid limit established by the ECB. The Bank of Finland also discards any bid which is below the minimum bid amount or which is below any minimum or above any maximum accepted interest rate/price/swap point. Furthermore, the Bank of Finland may discard bids which are incomplete. If a bid is discarded, the Bank of Finland informs the counterparty about its decision prior to the tender allotment.

1.2.5.1.5 Tender allotment procedures

The ECB may decide to allot a minimum amount to each bidder in fixed rate tenders, and to each successful bidder in variable rate tenders.

The amount allotted to each counterparty is rounded to the nearest euro in operations other than the issuance of ECB debt certificates. For issuance of debt certificates, the amount allotted to each counterparty is rounded to the nearest multiple of the denomination of the debt certificates.

Type of auction

For variable rate tenders, the Eurosystem may apply either single rate or multiple rate auction procedures. In a single rate auction (‘Dutch auction’), the allotment interest rate/price/swap point applied for all satisfied bids is equal to the marginal interest rate/price/swap point (ie the interest rate/price/swap point at which the total allotment was exhausted). In a multiple rate auction (‘American auction’), the allotment interest rate/price/swap point is equal to the interest rate/price/swap point offered for each individual bid.

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5 In variable rate foreign exchange swaps, the amount of the currency kept fixed that the counterparty is willing to transact with the Eurosystem and the respective swap point level are to be stated.
6 A longer-term refinancing operation refers to a regular open market operation to be executed by the Eurosystem in the form of a reverse transaction. Longer-term refinancing operations are executed through monthly standard tenders and have a maturity of three months.
7 Contingency numbers: +358 50 387 0389 and +358 50 387 0390.
1.2.5.1.6 Announcement of tender results

The results of standard and quick tenders are announced publicly by means of wire services and the ECB’s website. The public tender result announcement normally contains the following information:

- reference number of the tender operation;
- date of the tender operation;
- type of operation;
- maturity of the operation;
- total amount bid by Eurosystem counterparties;
- number of bidders;
- currencies involved (in the case of foreign exchange swaps);
- total amount allotted;
- percentage of allotment (in the case of fixed rate tenders);
- spot exchange rate (in the case of foreign exchange swaps);
- marginal interest rate/price/swap point accepted and percentage of allotment at the marginal interest rate/price/swap point (in the case of variable rate tenders);
- minimum bid rate, maximum bid rate and weighted average allotment rate (in the case of multiple rate auctions);
- starting date and maturity date of the operation (if applicable) or value date and maturity date of the instrument (in the case of issuance of ECB debt certificates);
- minimum individual allotment amount (if any);
- minimum allotment ratio (if any);
- denomination of the certificates (in the case of issuance of ECB debt certificates);
- ISIN code of the issue (in the case of issuance of ECB debt certificates). *(Amendment 10 October 2010)*

If the tender result contains erroneous information with respect to any of the above, the ECB reserves the right to take any action it deems appropriate to correct such erroneous information. *(Amendment 3 January 2013)*

Once the ECB has announced the result of the tender, this is communicated to Bank of Finland counterparties via the eTender electronic bidding system. The communication includes the allotted amount on each bid, the applicable interest rates/prices/swaps points and the value date and maturity date. *(Amendment 1 June 2013)*
1.2.5.1.7 Option to reduce the amount of, or terminate longer-term refinancing operations
(Amendment 7 March 2013)

The Eurosystem may decide that, under certain conditions, counterparties may reduce the amount of, or terminate, certain longer-term refinancing operations before maturity (such reduction of the amount or termination hereinafter also collectively referred to as ‘early repayment’). The tender announcement shall specify whether the option to reduce the amount of, or terminate, the operations in question before maturity applies, as well as the date from when such option may be exercised. The above information may alternatively be provided in another format deemed appropriate by the Eurosystem.

A counterparty may exercise the option to reduce the amount of, or terminate, longer-term refinancing operations before maturity by notifying the Bank of Finland of the amount it intends to repay under the early repayment procedure, as well as of the date on which it intends to make such early repayment, at least one week in advance of the early repayment date specified in the tender announcement. Unless otherwise specified by the Eurosystem, an early repayment may be effected on any day that coincides with the settlement day of a Eurosystem main refinancing operation, provided that the counterparty makes the notification referred to in this paragraph at least one week in advance of that date.

The notification referred to above shall become binding on the counterparty one week before the early repayment date it refers to. Failure by the counterparty to settle, in full or in part, the amount due under the early repayment procedure by the due date may result in the imposition of a financial penalty as set out in section 1.2.5.4. The provisions of section 1.2.5.4 which apply to infringements of rules related to tender operations shall apply where a counterparty fails to settle, in full or in part, the amount due, to the Bank of Finland, on the early repayment date referred to above. The imposition of a financial penalty shall be without prejudice to the Bank of Finland’s right to exercise the remedies provided for instances of default in respect of obligations as set out in section 6.1 of the Counterparty Agreement.

1.2.5.2 Procedures for bilateral operations

General considerations

Bilateral procedures are defined as any procedures where the Eurosystem conducts a transaction with one or a few counterparties without a tender. In this respect, two different types of bilateral procedures can be distinguished: operations where counterparties are contacted directly by the Eurosystem and operations executed through stock exchanges and market agents.

For outright transactions executed through stock exchanges or market agents, the range of counterparties is not restricted a priori and the procedures are adapted to market conventions for the debt instruments transacted.

1.2.5.3 Settlement procedures

1.2.5.3.1 General considerations

Payment transactions relating to the use of Eurosystem standing facilities or to participation in open market operations are settled on the counterparties’ PM accounts in TARGET2-Suomen Pankki. Payments are settled only after (or at the moment of) final transfer (if necessary) of assets underlying the operation or the associated rights. The payments related to liquidity-providing reverse transactions are normally netted out on the maturity date.

The transfer of marketable assets is executed via the counterparties’ securities settlement
Counterparties without a safe custody account with a national central bank or a securities settlement account with a securities settlement system fulfilling the ECB’s minimum standards may settle transactions involving underlying assets via the securities settlement account or the safe custody account of a correspondent credit institution.

Non-marketable assets serving as collateral shall be submitted to the Bank of Finland in accordance with instructions set out in the Bank of Finland Rules on collateral management (section 3).

More detailed instructions for settlement procedures of monetary policy operations and the reporting form associated with the correspondent central banking model (CCBM) are provided in Annex 3.

1.2.5.3.2 Settlement of open market operations

Open market operations based on standard tenders are normally settled on the first day, following the trade day, on which TARGET2 system and all relevant securities settlement systems are open. However, the issuance of ECB debt certificates is settled on the second day following the trade day on which TARGET2 and all relevant securities settlement systems are open. (Amendment 10 October 2010)

The Eurosystem aims to settle open market operations based on quick tenders and bilateral procedures on the trade day. However, the Eurosystem may for operational reasons occasionally apply other settlement dates for these operations, in particular for outright transactions and foreign exchange swaps. The settlement (both acceptance and repayment) of fixed-term deposits takes place on the days specified in the ECB’s announcement of the deposit operation.

1.2.5.4 Sanctions in the event of non-compliance with counterparty obligations (Amendment 10 October 2010)

Counterparties are expected always to be in a position to transfer a sufficient amount of eligible underlying assets or, in the case of liquidity-absorbing operations, a sufficient amount of cash for the execution of the operation. (Amendment 10 October 2010)

Sanctions may be imposed for infringement of (a) tender rules, if a counterparty fails to transfer a sufficient amount of underlying assets or cash to settle (at the settlement day), or to collateralise, until the maturity of the operation by means of corresponding margin calls, the amount of liquidity it has been allotted in a liquidity-providing operation, or if it fails to transfer a sufficient amount of cash to settle the amount it has been allotted in a liquidity-absorbing operation; and (b) bilateral transaction rules, if a counterparty fails to transfer a sufficient amount of eligible underlying assets, or if it fails to transfer a sufficient amount of cash to settle the amount agreed in bilateral transactions, or if it fails to collateralise an outstanding bilateral transaction at any time until its maturity by means of corresponding margin calls. (Amendment 10 October 2010)

Sanctions may also be imposed if a counterparty fails to comply with the rules for the use of underlying assets or the rules for end-of-day procedures or fails to fulfil the access conditions for the marginal lending facility. Non-compliance with the rules for the use of underlying assets occurs where a counterparty uses assets that are or have become ineligible or that may not be used as collateral by the counterparty, for example, on account of their being issued or guaranteed by an entity having close links with the counterparty or by the counterparty itself. Non-fulfilment of the access conditions for the marginal lending facility occurs where a counterparty has a negative balance on the PM account at the end of the day and does not fulfil the access conditions for the marginal lending facility. (Amendment 10 October 2010)

8 A description of standards for the use of eligible securities settlement systems (SSSs) in the euro area and an updated list of eligible links between these systems can be found on the ECB website (www.ecb.europa.eu).
If a counterparty fails to transfer a sufficient amount of underlying assets or cash, the Bank of Finland may apply financial penalties or suspend the counterparty from subsequent market operations of the same type for a certain period. The operation agreed with the counterparty shall be executed only up to the amount covered by the underlying assets or cash the counterparty has effectively delivered. (Amendment 10 October 2010)

For infringements of rules related to tender operations, bilateral transactions and the use of underlying assets, for the first and for the second infringements that occur within a 12-month period, the Bank of Finland may apply financial penalties computed at the marginal lending rate plus 2.5 percentage points. (Amendment 3 January 2013)

For infringements of rules related to tender operations and bilateral transactions, the financial penalties are calculated on the basis of the amount of collateral or cash that the counterparty could not settle, multiplied by the coefficient X/360, where X is the number of calendar days, with a maximum of seven, during which the counterparty was unable to collateralise or supply the allotted amount during the maturity of an operation. A flat penalty of EUR 500 applies where the calculation results in an amount of less than EUR 500. (Amendment 3 January 2013)

For infringements of rules related to the use of underlying assets, the financial penalties are calculated on the basis of the amount of ineligible assets, or assets that may not be used by the counterparty, which are either: provided by the counterparty to an NCB or the ECB; or not removed by the counterparty by or before the start of the eighth calendar day following an event after which the eligible assets become ineligible or may no longer be used by the counterparty, multiplied by the coefficient X/360. Where X is the number of calendar days, with a maximum of seven, during which the counterparty was in breach of the rules relating to the use of underlying assets. A flat penalty of EUR 500 applies where the calculation results in an amount less than EUR 500. (Amendment 3 January 2013)

If three or more failures to settle occur within a 12-month period, the counterparty shall be suspended from subsequent open market operations of the same type in addition to a financial penalty calculated in accordance with the rules defined above. The suspension shall be applied in accordance with the following scale:

a) if the amount of non-delivered collateral or cash is up to 40% of the total collateral or cash to be delivered, a suspension of one month shall be applied;

b) if the amount of non-delivered collateral or cash is between 40% and 80% of the total collateral or cash to be delivered, a suspension of two months shall be applied;

c) if the amount of non-delivered collateral or cash is between 80% and 100% of the total collateral or cash to be delivered, a suspension of three months shall be applied.

If a counterparty has a negative balance on the PM account at the end of the day and does not fulfil the access conditions for the marginal lending facility or has been suspended from all monetary policy operations, the sanctions prescribed in article 38.4 of the Rules for TARGET2-Suomen Pankki shall be applied.

The first time the rules for end-of-day procedures or for access to the marginal lending facility are infringed, the applicable financial penalties are calculated using the marginal lending rate that applied when the infringement began plus 5 percentage points. For repeated infringements, the penalty interest rate increases by a further 2.5 percentage points each time this occurs within a 12-month period, calculated on the basis of the amount of the unauthorised access to the marginal lending facility. A flat penalty of EUR 500 applies where the calculation results in an amount less than EUR 500. (Amendment 3 January 2013)

In assessing each specific case, the Bank of Finland shall take into account the reasons for the non-compliance provided by the counterparty. In cases of ‘force majeure’, the sanction may be waived.

In exceptional cases where required on account of the seriousness of the case(s) of non-compliance, and taking into account in particular the frequency or the duration of the cases of
non-compliance, the counterparty may, in addition to a financial penalty, be suspended from access to all future monetary policy operations for a period of three months.

In addition, a suspension measure taken vis-à-vis a non-complying counterparty may be applied to branches of the same institution established in other Member States. Where, as an exceptional measure, this is required on account of the seriousness of a case of non-compliance, as evidenced by its frequency or duration, for instance, a counterparty may be suspended from all monetary policy operations for a certain period of time. (Amendment 10 October 2010)

1.2.5.5 Possible measures on the grounds of prudence or following an event of default
(Amendment 1 January 2012)

The Bank of Finland is entitled to suspend, limit or exclude counterparties’ access to monetary policy operations and the standing facilities on the grounds of prudence.

In addition, on the grounds of prudence, the Bank of Finland may reject assets, limit the use of assets or apply supplementary haircuts to assets submitted as collateral in Eurosystem credit operations by specific counterparties.

As regards instances of default under clause 6.1 of the Counterparty Agreement, the Bank of Finland is entitled, in addition to suspension and exclusion, to limit counterparties’ access to monetary policy operations and the standing facilities.

Following the entry into force of the Treaty on the Functioning of the European Union, the instances of default under clause 6.1 of the Counterparty Agreement are amended as follows:

Points p) and q) of clause 6.1 are replaced as follows, respectively:

‘the Counterparty’s assets are subject to the freezing of funds and/or other measures imposed by the EU under Article 75 of the Treaty on the Functioning of the European Union restricting the use of the Counterparty’s funds; or’

‘the Counterparty’s assets are subject to the freezing of funds and/or other measures imposed by an EU Member State restricting the use of the Counterparty’s funds; or’

All discretionary measures required to ensure prudent risk management are applied and calibrated by the Bank of Finland in a proportionate and non-discriminatory manner. Any discretionary measure taken vis-à-vis an individual counterparty will be duly justified. (Amendment 1 January 2012)
1.2.6 Minimum reserves

The Eurosystem’s minimum reserve system is based on the Council Regulation (EC) concerning the application of minimum reserves by the European Central Bank and the ECB Regulation on minimum reserves.¹ The ECB Regulation defines:

- the institutions subject to the Eurosystem’s minimum reserve requirements;
- reserve base;
- reserve ratios;
- calculation of reserve requirements;
- reserve deposits;
- maintenance period;
- interest paid on reserves;
- indirect holding of reserves via an intermediary; and
- holding of reserves on a consolidated basis.

Furthermore, the powers of the ECB to impose sanctions for non-compliance with minimum reserve obligations are specified in Regulations issued by the EU Council and the ECB respectively.²

An institution subject to reserve requirements in Finland may hold its reserves either directly in a PM account or reserve account at the Bank of Finland or it may hold them via an intermediary. (Amendment 10 October 2010)

The ECB maintains a list of institutions subject to reserve requirements and another list of institutions exempt from reserve requirements. These lists are posted on the Internet website [http://www.ecb.int/mopo/implement/mr/html/index.en.html](http://www.ecb.int/mopo/implement/mr/html/index.en.html). The lists are also available upon request from Banking Operations, Bank of Finland, tel. +358 10 831 7006.

¹ See section 1.3.
² See sections 1.3.1 and 5.1.
## Indicative calendar for the Eurosystem's regular tender operations 2014

### Notes:
1. The TARGET holidays are indicated in red.
2. The reserve maintenance periods are separated with a double line.
3. MRO stands for main refinancing operation; LTRO for longer-term refinancing operation; ann. for announcement; allot. for allotment; and settl. for settlement.

### Data Source:
European Centralbank
## Monetary Policy

Indicative calendar for the Eurosystem's regular tender operations 2014

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Notes:
1. The TARGET holidays are indicated in red.
2. The reserve maintenance periods are separated with a double line.
3. MRO stands for main refinancing operation; LTRQ for longer-term refinancing operation; ann. for announcement; allot. for allotment; and settl. for settlement.

Source: European Centralbank
# Monetary Policy

Indicative calendar for the Eurosystem’s regular tender operations 2015

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Source: European Central Bank
## Monetary Policy

Indicative calendar for the Eurosystem's regular tender operations 2015

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<td>30 Fri</td>
<td>60 Sun</td>
<td>60 Tue MRO allot/LTRO allot</td>
</tr>
<tr>
<td>31</td>
<td>Fri</td>
<td>31 Mon MRO ann.</td>
<td>31 Sat</td>
<td>31 Thu</td>
<td>61 Sun</td>
<td>61 Tue MRO allot/LTRO allot</td>
</tr>
</tbody>
</table>

Notes:
1. The TARGET holidays are indicated in red.
2. The reserve maintenance periods are separated with a double line.
3. MRO stands for main refinancing operation; LTRO for long-term refinancing operation; ann. for announcement; allot. for allotment; and settl. for settlement.

Source: European Centralbank
### Annex 1b  Indicative calendar for maintenance periods in 2014

<table>
<thead>
<tr>
<th>MP</th>
<th>Relevant Governing Council meeting</th>
<th>Start of maintenance period</th>
<th>End of maintenance period</th>
<th>Reserve base data for credit institutions reporting monthly</th>
<th>Reserve base data for credit institutions reporting quarterly</th>
<th>Length of the maintenance period (days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>3 April 2014</td>
<td>9 April 2014</td>
<td>13 May 2014</td>
<td>February 2014</td>
<td>December 2013</td>
<td>35</td>
</tr>
<tr>
<td>5</td>
<td>8 May 2014</td>
<td>14 May 2014</td>
<td>10 June 2014</td>
<td>March 2014</td>
<td>December 2013</td>
<td>28</td>
</tr>
<tr>
<td>6</td>
<td>5 June 2014</td>
<td>11 June 2014</td>
<td>8 July 2014</td>
<td>April 2014</td>
<td>March 2014</td>
<td>28</td>
</tr>
<tr>
<td>8</td>
<td>7 August 2014</td>
<td>13 August 2014</td>
<td>9 September 2014</td>
<td>June 2014</td>
<td>March 2014</td>
<td>28</td>
</tr>
<tr>
<td>9</td>
<td>4 September 2014</td>
<td>10 September 2014</td>
<td>7 October 2014</td>
<td>July 2014</td>
<td>June 2014</td>
<td>28</td>
</tr>
<tr>
<td>10</td>
<td>2 October 2014</td>
<td>8 October 2014</td>
<td>11 November 2014</td>
<td>August 2014</td>
<td>June 2014</td>
<td>35</td>
</tr>
<tr>
<td>11</td>
<td>6 November 2014</td>
<td>12 November 2014</td>
<td>9 December 2014</td>
<td>September 2014</td>
<td>June 2014</td>
<td>28</td>
</tr>
<tr>
<td>12</td>
<td>4 December 2014</td>
<td>10 December 2014</td>
<td>13 January 2015</td>
<td>October 2014</td>
<td>September 2014</td>
<td>35</td>
</tr>
</tbody>
</table>
Annex 1b  Indicative calendar for maintenance periods in 2015

<table>
<thead>
<tr>
<th>MP</th>
<th>Relevant Governing Council meeting</th>
<th>Start of maintenance period</th>
<th>End of maintenance period</th>
<th>Reserve base data for credit institutions reporting monthly</th>
<th>Reserve base data for credit institutions reporting quarterly</th>
<th>Length of the maintenance period (days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>22 October 2015</td>
<td>28 October 2015</td>
<td>8 December 2015</td>
<td>August 2015</td>
<td>June 2015</td>
<td>42</td>
</tr>
<tr>
<td>8</td>
<td>3 December 2015</td>
<td>9 December 2015</td>
<td>26 January 2016</td>
<td>October 2015</td>
<td>September 2015</td>
<td>49</td>
</tr>
</tbody>
</table>

source: European Central Bank
Annex 2 Pro forma tender bid form for use in contingency situations
(Amendment 1 June 2013)

COUNTERPARTY BID SUBMISSION TO EUROSYSTEM TENDER OPERATION

Bids must be submitted before the deadline by phone (+358 10 831 7004). In addition, the bids must be confirmed by fax immediately after submission.

Fax: +358 9 626 038

<table>
<thead>
<tr>
<th>Counterparty name</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Tender reference number</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Bids</th>
<th>Amount (in millions)</th>
<th>Rate*/ swap point</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
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<tr>
<td></td>
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</tr>
</tbody>
</table>

*For a variable rate tender, enter the bids in the list by filling in the bid amount (in millions) and the interest rate bid (maximum of two decimals) or swap point quotation.

<table>
<thead>
<tr>
<th>Total bid amount</th>
<th>Minimum rate *)</th>
<th>Maximum rate*)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Date: __________________________

Signature (and clarification):______________________________________________

Tel:___________________________
### Annex 3  Settlement dates and procedures for monetary policy operations  
(AMendment 1 June 2013)

Normal settlement dates for Eurosystem open market operations

<table>
<thead>
<tr>
<th>Monetary policy instrument</th>
<th>Settlement date for operations based on standard tenders</th>
<th>Settlement date for operations based on quick tenders or bilateral procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reverse transactions</td>
<td>T+1&lt;sup&gt;2&lt;/sup&gt;</td>
<td>T</td>
</tr>
<tr>
<td>Outright transactions</td>
<td>-</td>
<td>According to market convention for underlying assets</td>
</tr>
<tr>
<td>Issuance of ECB debt certificates</td>
<td>T+2</td>
<td>-</td>
</tr>
<tr>
<td>Foreign exchange swaps</td>
<td>-</td>
<td>T, T+1 or T+2</td>
</tr>
<tr>
<td>Collection of fixed-term deposits</td>
<td>-</td>
<td>T</td>
</tr>
</tbody>
</table>

Eurosystem open market operations are settled via counterparties’ PM accounts held with TARGET2<sup>1</sup>. Liquidity-providing reverse transactions are mainly executed as collateralised loans, and the related money transactions are settled on PM accounts. The settlement date for the main and longer-term refinancing operations is normally the date of reimbursement of the previous operation of corresponding maturity. Same-day payments related to new and maturing liquidity-providing reverse transactions are normally netted out so that the counterparty makes or receives one payment to/from the Bank of Finland.

In making payments in respect of maturing trades, counterparties must observe the deadline of 12 noon (does not apply to same-day transactions).

The Bank of Finland effects its own credits in respect of open market operations immediately in the morning after TARGET2 has opened for business but no later than 12 noon, provided securities deliveries on outright transactions or collateral posted for liquidity-providing reverse transactions are in order. Instructions on the treatment of collateral are given in section 3 of the Bank of Finland rules for counterparties and customers.

Payments related to the standing facilities are settled via counterparties’ PM accounts held with TARGET2<sup>3</sup>. Overnight liquidity granted via the marginal lending facility is credited at the end of the day and debited on the following banking day when the TARGET2 system opens for business. Specifically requested overnight liquidity is credited upon request. An overnight deposit in the deposit facility is debited at the time it is made by the counterparty and credited at maturity on the following banking day when the TARGET2 system opens for business.

---

<sup>1</sup> T refers to the trade date. The settlement date refers to Eurosystem business days.

<sup>2</sup> If the normal settlement date for the main or longer-term refinancing operations coincides with a bank holiday, the ECB may decide on a different settlement date, with the option of same-day settlement. The settlement dates for the main and longer-term refinancing operations are specified in advance in the Eurosystem’s tender operations calendar (see Rules on monetary policy instruments and procedures, Annex 1).

<sup>3</sup> Monetary policy transactions are confirmed by SWIFT or fax.
Annex 4  Examples of the calculation of financial penalties

This Annex provides examples of how to apply the penalty rate to different categories of non-compliance with counterparty obligations.

1. Counterparties’ non-compliance with the rules related to Eurosystem open market operations

a) In a liquidity-providing operation, a counterparty is not able to transfer a sufficient amount of underlying assets to settle the amount of liquidity that has been allotted to it in a tender operation or that has been agreed in a bilateral transaction.

Counterparty X has been allotted EUR 81 million in the tender operation of a main refinancing operation (1-week maturity) but can only transfer underlying assets, the value of which is, after application of the relevant valuation haircuts, EUR 76.95 million. The marginal lending rate when the infringement began is 2.25%.

Solution: counterparty X is subject to a financial penalty of:

\[
(81,000,000 - 76,950,000) \times \frac{(2.25 + 2.5)}{100} \times \frac{7}{360} = 3740.63
\]

b) In a one-week liquidity-providing operation, counterparty X initially transfers a sufficient amount of underlying assets. However, on day t + 2, the value of underlying assets decreases below the required amount and the counterparty does not have additional collateral or sufficient cash to collateralise the outstanding operation.

Counterparty X has been allotted EUR 98 million in the tender operation of a main refinancing operation. Initially, the counterparty transfers underlying assets with a value, after application of the relevant valuation haircuts, of EUR 98 million. After two days, the value of underlying assets decreases to EUR 95 million. The counterparty is unable to provide additional collateral or cash in the amount of EUR 3 million. The marginal lending rate when the infringement began is 2.25%.

Solution: counterparty X is subject to a financial penalty of:

\[
(98,000,000 - 95,000,000) \times \frac{(2.25 + 2.5)}{100} \times \frac{5}{360} = 1979.17
\]

c) In a liquidity-absorbing bilateral repurchase operation, a counterparty is not able to transfer a sufficient amount of cash to settle the amount agreed:

In this liquidity-absorbing 7-day operation executed through a bilateral procedure, counterparty X could, on the settlement date, settle for only EUR 50 million in cash, instead of the requested EUR 54.5 million (no valuation haircuts are applied in liquidity-absorbing operations). The marginal lending rate when the infringement began is 2.25%.

Solution: counterparty X is subject to a financial penalty of:

\[
(54,500,000 - 50,000,000) \times \frac{(2.25 + 2.5)}{100} \times \frac{7}{360} = 4156.25
\]
2 Non-compliance with the rules for end-of-day procedures and the conditions for access to the marginal lending facility

In cases of non-compliance with the rules for end-of-day procedures and the conditions for access to the marginal lending facility, the penalty formula to be applied shall be based on the negative balance on the counterparty’s settlement account at the end of the day.

Counterparty X is in principle eligible for monetary policy operations, but it has been suspended or excluded from access to the marginal lending facility. The counterparty has a negative balance of EUR 27 million at the end of the day. The marginal lending rate is 2.25% and the additional rate according to article 38.4 of the Rules for TARGET2- Suomen Pankki, is 5%.

Solution: counterparty X is subject to, in addition to the cost of marginal lending facility access, a financial penalty of:

\[ 27,000,000 \times \frac{5}{100} \times \frac{1}{360} = 3,750 \]

3 Non-compliance with minimum reserve requirements

The penalty rate to be applied for cases of non-compliance with the minimum reserve requirements is the average marginal lending rate of the Eurosystem for the maintenance period in which the breach occurred plus 2.5 percentage points. The penalty rate is applied to the daily average amount of minimum reserves that the institution failed to provide.

a) Counterparty X has a reserve requirement of EUR 10 million (daily average). On the last day of the maintenance period, the daily average for the maintenance period of the PM account with the national central bank amounts to EUR 9.5 million. The average marginal lending rate for the maintenance period is 2.25% and the maintenance period has 31 days.

Solution: counterparty X is subject to a financial penalty of:

\[ (10,000,000 - 9,500,000) \times \frac{(2.25 + 2.5)}{100} \times \frac{31}{360} = 2045.14 \]

b) If the breach described in example a) happened to be a repetitive breach, the calculation would be the following:

Solution: counterparty X is subject to a financial penalty of:

\[ (10,000,000 - 9,500,000) \times \left(\frac{2.25 + 5}{100}\right) \times \frac{31}{360} = 3121.53 \]
I

(Acts whose publication is obligatory)

COUNCIL REGULATION (EC) No 2531/98
of 23 November 1998

concerning the application of minimum reserves by the European Central Bank

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Protocol (No 3) on the Statute of the European System of Central Banks and of the European Central Bank (the 'Statute') and in particular to Article 19.2 thereof,

Having regard to the recommendation of the European Central Bank (the 'ECB') (1),

Having regard to the opinion of the European Parliament (2),

Having regard to the opinion of the Commission (3),

Acting in accordance with the procedure laid down in Article 106(6) of the Treaty establishing the European Community (hereinafter referred to as the 'Treaty') and in Article 42 of the Statute and under the conditions set out in Article 43.1 of the Statute and paragraph 8 of the Protocol (No 11) on certain provisions relating to the United Kingdom of Great Britain and Northern Ireland,

(1) Whereas Article 19.2, in conjunction with Article 43.1 of the Statute, paragraph 8 of Protocol No 11 and paragraph 2 of the Protocol (No 12) on certain provisions relating to Denmark, are not to confer any rights or impose any obligations on a non-participating Member State;

(2) Whereas Article 19.2 of the Statute requires the Council to define, inter alia, the basis for minimum reserves and the maximum permissible ratios between those reserves and their basis;

(3) Whereas Article 19.2 of the Statute also requires the Council to define the appropriate sanctions in cases of non-compliance with those requirements; whereas specific sanctions are set out herein; whereas this Regulation refers to Council Regulation (EC) No 2532/98 of 23 November 1998, concerning the powers of the European Central Bank to impose sanctions (4) for the principles and procedures relating to the imposition of sanctions and provides for a simplified procedure for the imposition of sanctions in the event of certain kinds of infringements; whereas, in the event of a conflict between the provisions of the Regulation (EC) No 2532/98 and the provisions of this Regulation enabling the ECB to impose sanctions, the provisions of this Regulation should prevail;

(4) Whereas Article 19.1 of the Statute provides that the Governing Council of the ECB may establish regulations concerning the calculation and determination of the required minimum reserves;

(5) Whereas, in order to be effective as an instrument for the performance of money market management and monetary control functions, the system for the imposition of minimum reserves needs to be structured so that the ECB has the ability and flexibility to impose reserve requirements within the context of, and dependent upon, changing economic and financial conditions among participating Member States; whereas in this respect the ECB must have the flexibility to react to new payment technologies such as the development of electronic money; whereas the ECB may impose minimum reserves on liabilities resulting from off-balance-sheet items, in particular those that are either individually or in combination with other on-balance-sheet or off-balance-sheet items, comparable with liabilities recorded on the balance sheet, in order to limit the possibilities of circumvention;

(6) Whereas the ECB, in establishing detailed regulations for the imposition of minimum reserves, including determining the actual reserve ratios, any remuneration of reserves, any exemptions from minimum reserves or any modifications to such requirements applicable to any specific group or groups of institutions, is bound to act in pursuance of the objectives of the European System of Central Banks (the 'ESCB') as set out in Article 105(1) of the Treaty and as reflected in Article 2 of the Statute; whereas this implies, inter alia, the principle of not inducing significant undesirable delocation or disintermediation; whereas the

(4) See page 4 of this Official Journal.
imposition of such minimum reserves may constitute an element of the definition and implementation of the monetary policy of the Community, being one of the basic tasks of the ESCB as specified in the first indent of Article 105(2) of the Treaty and as reflected in the first indent of Article 3.1 of the Statute;

(7) Whereas the sanctions provided in the event of non-compliance with the obligations set out in this Regulation are without prejudice to the possibility of the ESCB establishing appropriate enforcement provisions in its relations with counterparties, including the partial or total exclusion of an institution from monetary policy operations in the case of serious infringements of the minimum reserve requirements;

(8) Whereas the ESCB and the ECB have been entrusted with the task of preparing the monetary policy instruments to allow for their full operation in the third stage of Economic and Monetary Union (hereinafter referred to as ‘Stage Three’); whereas an essential element of preparation is the adoption, ahead of Stage Three, of ECB regulations requiring institutions to hold minimum reserves as from 1 January 1999; whereas it is desirable to inform market participants during 1998 of the detailed provisions which the ECB may deem necessary to adopt for the implementation of the minimum reserves system; whereas it is therefore necessary to provide the ECB from the date of entry into force of this Regulation with a regulatory power;

(9) Whereas the provisions of this Regulation can only be effectively applied in their entirety if participating Member States adopt the necessary measures with a view to ensuring that their authorities have the powers to assist and collaborate fully with the ECB in carrying out the collection and verification of information as required by this Regulation, in accordance with Article 5 of the Treaty,

HAS ADOPTED THIS REGULATION:

Article 1

Definitions

For the purposes of this Regulation:

1. ‘participating Member State’ shall mean a Member State which has adopted the single currency in accordance with the Treaty;

2. ‘national central bank’ shall mean the central bank of a participating Member State;

3. ‘institution’ shall mean any entity in a participating Member State which, under the terms of Article 19.1 of the Statute, the ECB may require to hold minimum reserves;

4. ‘reserve ratio’ shall mean such percentage of the basis for minimum reserves as the ECB may specify in accordance with Article 19.1 of the Statute;

5. ‘sanctions’ shall mean fines, periodic penalty payments, penalty interest and non-interest-bearing deposits.

Article 2

Right to exempt institutions

The ECB may, on a non-discriminatory basis, exempt institutions from minimum reserves in accordance with criteria established by the ECB.

Article 3

Basis for minimum reserves

1. The basis for minimum reserves which the ECB may require institutions to hold according to Article 19.1 of the Statute shall include, subject to the provisions specified in paragraphs 2 and 3 of this Article:

   (i) liabilities of the institution resulting from the acceptance of funds, together with

   (ii) liabilities resulting from off-balance-sheet items, but excluding

   (iii) fully or partly liabilities which are owed to any other institution according to modalities which shall be specified by the ECB, and

   (iv) liabilities which are owed to the ECB or to a national central bank.

2. For liabilities in the form of negotiable debt instruments, the ECB may specify, as an alternative to the provision in paragraph 1 (iii), that liabilities which are owed by one institution to another shall be fully or partly deducted from the basis for minimum reserves of the institution to which they are owed.

3. The ECB may, on a non-discriminatory basis, allow the deduction of specific types of assets from categories of liabilities forming part of the basis for minimum reserves.

Article 4

Reserve ratios

1. Reserve ratios, which the ECB may specify according to Article 19.1 of the Statute, shall not exceed 10 % of any relevant liabilities forming part of the basis for minimum reserves but may be 0 %.

2. Subject to paragraph 1, the ECB may, on a non-discriminatory basis, specify differing reserve ratios for specific categories of liabilities forming part of the basis for minimum reserves.
Article 5

Regulatory power

For the purpose of Articles 2, 3 and 4, the ECB shall adopt, where appropriate, regulations or decisions.

Article 6

Right to collect and verify information

1. The ECB shall have the right to collect from institutions the information necessary for the application of minimum reserves. Such information shall be confidential.

2. The ECB shall have the right to verify the accuracy and quality of the information which institutions provide to demonstrate compliance with the minimum reserve requirements. The ECB shall notify the institution of its decision to verify data or to effect their compulsory collection.

3. The right to verify data shall include the right to:
(a) require the submission of documents;
(b) examine the books and records of the institutions;
(c) take copies or extracts from such books and records; and
(d) obtain written or oral explanations.

When an institution obstructs the collection and/or verification of information, the participating Member State in which the relevant premises are located shall afford the necessary assistance, including ensuring access to the premises of the institution, so that the abovementioned rights can be exercised.

4. The ECB may delegate to the national central banks the execution of the rights to which paragraphs 1 to 3 refer. In accordance with the first indent of Article 34.1 of the Statute, the ECB shall be empowered to specify further in a regulation the conditions under which the right to verify may be exercised.

Article 7

Sanctions in cases of non-compliance

1. Where an institution fails to hold all or part of the minimum reserves imposed in accordance with this Regulation and ECB regulations or decisions associated herewith, the ECB may impose either of the following sanctions:
(a) a payment of up to 5 percentage points above the ESCB’s marginal lending rate or twice the ESCB’s marginal lending rate, in both cases applied to the amount of the minimum reserves which the relevant institution fails to provide;
(b) the requirement for the relevant institution to establish a non-interest-bearing deposit with the ECB or the national central banks up to 3 times the amount of the minimum reserves which the relevant institution fails to provide. The maturity of the deposit shall not exceed the period during which the institution fails to hold the minimum reserves.

2. Whenever a sanction is imposed in accordance with paragraph 1, the principles and procedures set out in Regulation (EC) No 2532/98 shall apply. However, Article 2(1) and (3) and Article 3(1), (2), (3) and (4) of that Regulation shall not be applicable, and the periods referred to in Article 3(6), (7) and (8) thereof shall be reduced to fifteen days.

3. Where an institution fails to comply with the obligations deriving from this Regulation or ECB regulations or decisions associated therewith, other than those set out in paragraph 1, sanctions in cases of such failure and the limits and conditions relating to the imposition of such sanctions shall be those set out in Regulation (EC) No 2532/98.

Article 8

Final provisions

This Regulation shall enter into force on the day of its publication in the Official Journal of the European Communities.

Article 5 shall apply from the date of entry into force of this Regulation. The remaining Articles shall apply from 1 January 1999.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 23 November 1998.

For the Council
The President
R. EDLINGER
REGULATION (EC) No 1745/2003 OF THE EUROPEAN CENTRAL BANK
of 12 September 2003
on the application of minimum reserves
(ECB/2003/9)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank, and in particular to Article 19(1) thereof,


Having regard to Council Regulation (EC) No 2532/98 of 23 November 1998 concerning the powers of the European Central Bank to impose sanctions (3),

Whereas:

(1) Regulation (EC) No 2818/98 of the European Central Bank of 1 December 1998 on the application of minimum reserves (ECB/1998/15) (4) has been significantly amended on two occasions. First, specific procedures for mergers and divisions involving credit institutions were introduced by Regulation (EC) No 1921/2000 of the European Central Bank of 31 August 2000 (ECB/2000/8) (5) in order to clarify the obligations of these institutions in respect of minimum reserves. Second, for reasons of efficiency, other provisions were amended by Regulation (EC) No 690/2002 of the European Central Bank of 18 April 2002 (ECB/2002/3) (6) to clarify that electronic money institutions will be subject to reserve requirements; to establish a general rule according to which credit institutions will be automatically exempted from reserve requirements for the whole maintenance period within which they cease to exist; and to clarify the obligation to include in the reserve base the liabilities of an institution in relation to a branch of the same entity, or in relation to the head office or registered office of the same entity, which are located outside participating Member States. As new amendments are being made to Regulation (EC) No 2818/98 (ECB/1998/15), it is desirable, for reasons of clarity and rationalisation, that the provisions in question should be recast by bringing them all together in a single text.

(2) Article 19(1) of the Statute states that, if the European Central Bank (ECB) requires credit institutions established in participating Member States to hold minimum reserves, they are to be held on accounts with the ECB and participating national central banks (participating NCBs). It is considered appropriate that such reserves should be held solely on accounts with participating NCBs.

(3) In order to be effective, the instrument of minimum reserves also requires specification regarding the calculation and maintenance of minimum reserves and the reporting and verification rules.

(4) For the exclusion of interbank liabilities from the reserve base, any standard deduction to be applied to liabilities with a maturity of up to two years within the debt securities category should be based on the euro area-wide macro ratio between (i) the stock of relevant instruments issued by credit institutions and held by other credit institutions and by the ECB and participating NCBs and (ii) the total amount outstanding of such instruments issued by credit institutions.

(5) As a rule, the calendar of maintenance periods will be aligned with the calendar of meetings of the Governing Council of the ECB at which the monthly assessment of the monetary policy stance is pre-scheduled.

(6) Specific procedures for the notification and acknowledgement of minimum reserves are necessary so that institutions are aware of their obligations in respect of minimum reserves in time.

HAS ADOPTED THIS REGULATION:

Article 1

Definitions

For the purposes of this Regulation:

— ‘participating Member State’ shall mean an EU Member State which has adopted the euro in accordance with the Treaty,

— ‘participating national central bank’ (participating NCB) shall mean the national central bank of a participating Member State,

— ‘Eurosystem’ shall designate the ECB and the participating NCBs,

— ‘institution’ shall mean any entity in a participating Member State which the ECB, under the terms of Article 19(1) of the Statute, may require to hold minimum reserves,

— ‘reserve account’ shall mean an institution’s account with a participating NCB, the end-of-day balance of which counts towards compliance with the institution’s reserve requirement,

— ‘reserve requirement’ shall mean the requirement for institutions to hold minimum reserves on reserve accounts with participating NCBs,

— ‘reserve ratio’ shall mean the percentage specified in Article 4 for any particular item in the reserve base,

— ‘maintenance period’ shall mean the period over which compliance with reserve requirements is calculated and for which such minimum reserves must be held on reserve accounts,

— ‘end-of-day balance’ shall mean the balance at the point in time when the finalisation of payment activities and entries relating to possible access to the standing facilities of the Eurosystem has taken place,

— ‘NCB business day’ shall mean any day on which a particular participating NCB is open for the purpose of conducting Eurosystem monetary policy operations,

— ‘resident’ shall mean any natural or legal person residing in any of the participating Member States within the meaning of Article 1(4) of Council Regulation (EC) No 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank (1),

— ‘reorganisation measures’ shall mean measures intended to preserve or restore the financial situation of an institution which could affect third parties’ pre-existing rights, including measures involving the possible suspension of payments, suspension of enforcement measures or reduction in claims,

— ‘winding-up proceedings’ shall mean collective proceedings concerning an institution which necessarily involve intervention by the judicial authorities or any other competent authority of a participating Member State with the aim of realising assets under the supervision of those authorities, including where the proceedings are terminated by a composition or by another analogous measure,

— ‘merger’ shall mean an operation whereby one or more credit institutions (the merging institutions), on being dissolved without going into liquidation, transfer all their assets and liabilities to another credit institution (the acquiring institution), which may be a newly established credit institution,

— ‘division’ shall mean an operation whereby one credit institution (the institution being divided), on being dissolved without going into liquidation, transfers all its assets and liabilities to more than one institution (the recipient institutions), which may be newly established credit institutions.

Article 2

Institutions subject to reserve requirements

1. The following categories of institutions shall be subject to reserve requirements:

(a) credit institutions as defined in the first subparagraph of Article 1(1) of Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking-up and pursuit of the business of credit institutions (2), other than participating NCBs;

(b) branches as defined in Article 1(3) of Directive 2000/12/EC, of credit institutions as defined in the first subparagraph of Article 1(1) of the same Directive, other than participating NCBs: these include branches of credit institutions which have neither their registered nor their head office in a participating Member State.

Branches of credit institutions established in participating Member States which are located outside participating Member States are not subject to reserve requirements.

2. Without being obliged to submit any request, an institution shall be exempted from reserve requirements from the start of the maintenance period in which its authorisation is withdrawn or renounced, or in which a decision to submit the institution to winding-up proceedings is taken by a judicial authority or any other competent authority of a participating Member State.

The ECB may exempt the following institutions from reserve requirements on a non-discriminatory basis:

(a) institutions subject to reorganisation measures;

(b) institutions for which the purpose of the ECB’s minimum reserve system would not be met by imposing reserve requirements upon them. In reaching a decision on any such exemption, the ECB shall take into account one or more of the following criteria:

(i) the institution is pursuing special-purpose functions;


(ii) the institution is not exercising active banking functions in competition with other credit institutions;

(iii) the institution has all its deposits earmarked for purposes relating to regional and/or international development assistance.

3. The ECB shall publish a list of institutions subject to reserve requirements. The ECB shall also publish a list of institutions exempt from its reserve requirements for reasons other than being subject to reorganisation measures. Institutions may rely on these lists when deciding whether their liabilities are owed to another institution that is itself subject to reserve requirements. These lists shall not be determinative of whether institutions are subject to reserve requirements in accordance with this Article 2.

**Article 3**

**Reserve base**

1. An institution’s reserve base shall comprise the following liabilities (as defined within the ECB’s reporting framework for money and banking statistics in Regulation (EC) No 2423/2001 of the European Central Bank of 22 November 2001 concerning the consolidated balance sheet of the monetary financial institutions sector (ECB/2001/13) (1)) resulting from the acceptance of funds:

(a) deposits;

(b) debt securities issued.

If an institution has liabilities in relation to a branch of the same entity, or in relation to the head office or registered office of the same entity, which are located outside participating Member States, it shall include such liabilities in the reserve base.

2. The following liabilities shall be excluded from the reserve base:

(a) liabilities which are owed to any other institution not listed as being exempt from the ECB’s minimum reserve system according to Article 2(3), and

(b) liabilities which are owed to the ECB or to a participating NCB.

In applying this provision, the institution shall provide evidence to the relevant participating NCB of the actual amount of its liabilities owed to any other institution not listed as being exempt from the ECB’s minimum reserve system and of its liabilities which are owed to the ECB or to a participating NCB in order to exclude them from the reserve base. If such evidence cannot be presented for debt securities issued with an agreed maturity of up to two years, the institution may apply a standard deduction to the outstanding amount of its debt securities issued with an agreed maturity of up to two years from the reserve base. The amount of such standard deduction shall be published by the ECB in the same manner as the publication of the list referred to in Article 2(3).

3. The institution shall calculate the reserve base in respect of a particular maintenance period on the basis of the data relating to the month two months prior to the month within which the maintenance period starts. The institution shall report the reserve base to the relevant participating NCB as required within the ECB’s reporting framework for money and banking statistics laid down in Regulation (EC) No 2423/2001 (ECB/2001/13).

4. For institutions which have been granted the derogation set out in Article 2(2) of Regulation (EC) No 2423/2001 (ECB/2001/13), the reserve base shall be calculated, for three consecutive maintenance periods beginning with the maintenance period starting in the third month after the end of a quarter, on the basis of end-of-quarter data reported in accordance with Annex II to Regulation (EC) No 2423/2001 (ECB/2001/13). These institutions shall notify their minimum reserves in accordance with Article 5.

**Article 4**

**Reserve ratios**

1. A reserve ratio of 0 % shall apply to the following liability categories (as defined within the ECB’s reporting framework for money and banking statistics in Regulation (EC) No 2423/2001 (ECB/2001/13)):

(a) deposits with agreed maturity over two years;

(b) deposits redeemable at notice over two years;

(c) repos;

(d) debt securities issued with an agreed maturity over two years.

2. A reserve ratio of 2,0 % shall apply to all other liabilities included in the reserve base.

**Article 5**

**Calculation and notification of minimum reserves**

1. The amount of minimum reserves to be held by each institution in respect of a particular maintenance period shall be calculated by applying the reserve ratios to each relevant item of the reserve base for that period, as defined in Article 4. The minimum reserves identified by the relevant participating NCB and by the institution in accordance with the procedures mentioned in this Article shall constitute the basis for (i) remuneration of holdings of required reserves, and (ii) assessment of an institution’s compliance with the obligation to hold the required amount of minimum reserves.

2. An allowance of EUR 100,000, to be deducted from the amount of the minimum reserves, shall be granted to each institution, subject to the provisions contained in Articles 11 and 13.

3. Each participating NCB shall determine procedures for the notification of institutions’ individual minimum reserves, in accordance with the following principles. Either the relevant participating NCB or the institution shall take the initiative to calculate that institution’s minimum reserves for the relevant maintenance period, on the basis of the statistical information and of the reserve base reported in accordance with Article 5 of Regulation (EC) No 2423/2001 (ECB/2001/13). The calculating party shall notify the other party of the calculated minimum reserves at the latest three NCB business days before the start of the maintenance period. The relevant participating NCB may specify an earlier date as a time limit for the notification of minimum reserves. It may also specify additional time limits for the institution to notify any revisions to the reserve base, and any revisions to the notified minimum reserves. If an institution abuses the opportunity that is offered by its participating NCB to revise the reserve base and the minimum reserves, the NCB may suspend permission for that institution to submit revisions. The notified party shall acknowledge the calculated minimum reserves at the latest on the NCB business day preceding the start of the maintenance period. If the notified party has not replied to the notification by the end of the NCB business day preceding the start of the maintenance period, it shall be deemed to have acknowledged the amount of minimum reserves of the institution for the relevant maintenance period. Once acknowledged, the institution’s minimum reserves for the relevant maintenance period cannot be revised.

4. The participating NCBs shall publish calendars indicating the forthcoming time limits for notification and acknowledgement of data relevant to minimum reserves for the implementation of the procedures mentioned in this Article.

5. Where an institution fails to report the relevant statistical information as specified in Article 5 of Regulation (EC) No 2423/2001 (ECB/2001/13), the relevant participating NCB shall inform the institution concerned of the amount of the institution’s minimum reserves that is to be notified or acknowledged, in accordance with the procedures mentioned in this Article, for the relevant maintenance period(s), estimated on the basis of historical information reported by the institution and any other relevant information. Article 6 of Regulation (EC) No 2531/98 and the ECB’s power to impose sanctions for infringement of the ECB’s statistical reporting requirements shall remain unaffected.

Article 6 Reserve holdings

1. An institution shall hold its minimum reserves on one or more reserve accounts with the national central bank in each participating Member State in which it has an establishment, in relation to its reserve base in the corresponding Member State. Reserve accounts shall be denominated in euro. Institutions’ settlement accounts with the participating NCBs may be used as reserve accounts.

2. An institution shall have complied with its reserve requirement if the average end-of-day balance on its reserve accounts over the maintenance period is not less than the amount defined for that period in accordance with the procedures set out in Article 5.

3. If an institution has more than one establishment in a participating Member State, its registered office or head office, if located in that Member State, shall be responsible for ensuring compliance with the institution’s reserve requirement. If the institution has neither a registered office nor a head office in that Member State, it shall designate which of its branches in that Member State shall be responsible for ensuring compliance with the institution’s reserve requirement. All these establishments’ reserve holdings count together towards compliance with the institution’s total reserve requirement in that Member State.

Article 7 Maintenance period

1. Unless the Governing Council of the ECB decides to modify the calendar according to paragraph 2, the maintenance period shall start on the settlement day of the main refinancing operation following the meeting of the Governing Council, at which the monthly assessment of the monetary policy stance is pre-scheduled. The Executive Board of the ECB shall publish a calendar of maintenance periods at least three months before the start of each calendar year. Publication of such calendar shall take place in the Official Journal of the European Union and on the websites of the ECB and of the participating NCBs.

2. The Governing Council shall decide on any modification of this calendar that is necessary due to extraordinary circumstances and the Executive Board shall publish it in the same manner well in advance of the start of the maintenance period to which the modification is applied.

Article 8 Remuneration

1. Holdings of required reserves are remunerated at the average, taken over the maintenance period, of the ECB rate (weighted according to the number of calendar days) for the main refinancing operations of the Eurosystem according to the following formula (whereby the result is rounded to the nearest cent):

\[
R = \frac{H \cdot n \cdot r}{100 \cdot 360}
\]

\[
r = \frac{\sum MR}{n}
\]

Where:

- \(R\) = remuneration to be paid on holdings of required reserves for the maintenance period \(t\);
- \(H\) = average daily holdings of required reserves for the maintenance period \(t\);
- \(n\) = number of days in the maintenance period;
- \(MR\) = minimum required reserve for each day of the maintenance period.

2. The formula shall take into account the following dates between the end of the maintenance period and the start of the following maintenance period.

- The first day of each calendar quarter that is not a calendar day covered by the maintenance period;
- The last day of each calendar quarter that is not a calendar day covered by the maintenance period;
- The end of each calendar month that is not a calendar day covered by the maintenance period.

3. At the start of each calendar year, a calendar for the following maintenance period shall be published, with dates for payment of remuneration, that is to be notified or acknowledged, at the latest NCB business day preceding the start of the maintenance period.

4. An institution shall receive the benefit of any remuneration calculated on the basis of the average of the end-of-day balances on its reserve accounts over the maintenance period on the basis of the remuneration formula set out in paragraph 1.

5. The Executive Board of the ECB shall publish a calendar of relevant dates of the maintenance period, on the basis of the statistical information for the relevant maintenance period, estimated on the basis of historical information reported by the institution and any other relevant information. Article 5 of Regulation (EC) No 2531/98 and the ECB’s power to impose sanctions for infringement of the ECB’s statistical reporting requirements shall remain unaffected.
\( n_t \) = number of calendar days in the maintenance period \( t; \)
\( r_t \) = rate of remuneration on holdings of required reserves for the maintenance period \( t; \) Standard rounding of the rate of remuneration to two decimals shall be applied;
\( i \) = \( i \)th calendar day of the maintenance period \( t; \)
\( MR_t \) = marginal interest rate for the most recent main refinancing operation settled on or before calendar day \( t; \)

2. The remuneration shall be paid on the second NCB business day following the end of the maintenance period over which the remuneration was earned.

### Article 9

**Responsibility for verification**

The participating NCBs shall exercise the right to verify the accuracy and quality of the information which institutions provide to demonstrate compliance with the reserve requirement as specified in Article 6 of Regulation (EC) No 2531/98 without prejudice to the right of the ECB to exercise this right itself.

### Article 10

**Indirect holding of minimum reserves through an intermediary**

1. An institution may apply for permission to hold all its minimum reserves indirectly through an intermediary resident in the same Member State. The intermediary shall be an institution subject to reserve requirements which normally effects part of the administration (e.g. treasury management) of the institution for which it is acting as intermediary, beyond the holding of minimum reserves.

2. Any application for permission to hold minimum reserves through an intermediary as described in paragraph 1 above shall be addressed to the national central bank of the participating Member State in which the applicant is established. The application shall include a copy of an agreement between the intermediary and the applicant in which both parties express their consent to the arrangement. The agreement shall also specify whether the applicant wishes to access Eurosystem standing facilities and open market operations. The agreement shall specify a notice period of at least 12 months. Upon compliance with the above conditions, the relevant participating NCB may grant the applicant permission to hold minimum reserves through an intermediary, subject to the provisions of paragraph 4 of this Article. Such permission shall be effective from the start of the first maintenance period following the date permission is granted, and shall continue for the duration of the aforementioned agreement between the parties.

3. The intermediary shall maintain these minimum reserve holdings in accordance with the general conditions of the ECB's minimum reserve system. Not only the institutions for which the intermediary is acting, but also the intermediary itself shall be responsible for complying with those institutions' reserve requirements. In the event of non-compliance, the ECB may impose any applicable sanctions on the intermediary, on the institution for which it is acting as intermediary, or on both, in accordance with the liability for non-compliance.

4. The ECB or the relevant participating NCB may, at any time, withdraw permission to hold minimum reserves indirectly:

   (i) if an institution which holds its reserves indirectly through an intermediary, or the intermediary itself, fails to comply with its obligations under the ECB minimum reserve system;

   (ii) if the conditions for the holding of reserves indirectly specified in paragraphs 1 and 2 of this Article are no longer fulfilled; or

   (iii) for prudential reasons relating to the intermediary.

If such permission is withdrawn for prudential reasons relating to the intermediary, the withdrawal may have immediate effect. Subject to the requirements of paragraph 5, any withdrawal for other reasons shall take effect at the end of the then current maintenance period. An institution which holds its reserves through an intermediary, or the intermediary itself, may, at any time, ask for the permission to be withdrawn. Withdrawal requires prior notification by the relevant participating NCB to become effective.

5. The institution which holds its minimum reserves through an intermediary and the intermediary itself shall be informed of any withdrawal of permission for reasons other than prudential ones at least five working days before the end of the maintenance period in which permission is withdrawn.

6. Without prejudice to the individual statistical reporting obligations of the institution which holds its minimum reserves through an intermediary, the intermediary shall report the reserve base data in a sufficiently detailed manner to enable the ECB to verify its accuracy and quality, having regard to the provisions contained in Article 9, and determine the respective minimum reserves and the reserve holdings data for itself, as well as in respect of each institution for which it acts as intermediary. That data shall be provided to the participating NCB with which the minimum reserves are held. The intermediary shall provide the aforementioned reserve base data according to the same frequency and timetable as were established within the ECB's reporting framework for money and banking statistics laid down in Regulation (EC) No 2423/2001 (ECB/2001/13).
Article 11

**Reserve holding on a consolidated basis**

Institutions allowed to report statistical data as a group on a consolidated basis (as defined within the ECB’s reporting framework for money and banking statistics in Regulation (EC) No 2423/2001 (ECB/2001/13)) must hold minimum reserves through one of the institutions in the group which is acting as intermediary exclusively for these institutions and in accordance with the provisions in Article 10. The institution acting as the intermediary for the group may apply to the ECB for exemption from the provisions in Article 10(6). If the ECB accepts its application, only the group as a whole shall be entitled to receive the allowance referred to in Article 5(2).

Article 12

**NCB business days**

If one or more branches of a participating NCB are closed on an NCB business day owing to local or regional bank holidays, the relevant participating NCB shall inform the institutions in advance of the arrangements to be made for transactions involving those branches.

Article 13

**Mergers and divisions**

1. For the maintenance period in which a merger takes effect, the merging institutions’ reserve requirements shall be assumed by the acquiring institution and the acquiring institution shall benefit from any allowance described in Article 5(2) granted to the merging institutions. All the merging institutions’ reserve holdings for the maintenance period in which the merger takes effect shall count together towards compliance with reserve requirements by the acquiring institution.

2. From the maintenance period immediately following the maintenance period in which the merger takes effect onwards, each recipient institution which is a credit institution shall assume, possibly in addition to its own minimum reserves, the minimum reserves calculated on the basis of the part of the reserve base of the institution being divided that is allocated to it. From the maintenance period immediately following the maintenance period in which the division takes effect, the allowance described in Article 5(2) shall be granted to each of the recipient institutions which is a credit institution.


2. The minimum reserves for this transitional maintenance period shall be calculated using the reserve base at 31 December 2003. The reserve base at 30 September 2003 shall be used for institutions reporting on a quarterly basis.

3. The procedures for calculation, notification, confirmation, revision and acknowledgment set out in Article 5(3), (4) and (6) of Regulation (EC) No 2818/98 (ECB/1998/15) shall apply to this transitional maintenance period.

Article 14

**Transitional provisions**

1. This Regulation shall enter into force on 24 January 2004, with the exception of Article 5(3) and (5) which shall enter into force on 10 March 2004.
2. Regulation (EC) No 2818/98 (ECB/1998/15) of 1 December 1998 on the application of minimum reserves shall be repealed on 23 January 2004, with the exception of Article 5(3), (4) and (6) which shall be repealed on 9 March 2004.

3. References made to the repealed Regulation shall be construed as being made to this Regulation.

Done at Frankfurt am Main, 12 September 2003.

On behalf of the Governing Council of the ECB
Willem F. DUISENBERG
REGULATION (EU) No 1358/2011 OF THE EUROPEAN CENTRAL BANK
of 14 December 2011
amending Regulation (EC) No 1745/2003 on the application of minimum reserves (ECB/2003/9)
(ECB/2011/26)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union, and in particular the first indent of Article 127(2) thereof,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank (hereinafter the ‘Statute of the ESCB’), and in particular Article 19.1 thereof,

Whereas:

(1) Article 19.1 of the Statute of the ESCB provides that the European Central Bank (ECB) may require credit institutions established in Member States to hold minimum reserve on accounts with the ECB and national central banks in pursuance of monetary policy objectives and that regulations concerning the calculation and determination of the required minimum reserves may be established by the Governing Council.

(2) Regulation (EC) No 1745/2003 of the European Central Bank of 12 September 2003 on the application of minimum reserves (ECB/2003/9) (1) establishes, inter alia, the categories of institutions subject to reserve requirements and reserve ratios applicable to certain liability categories.

(3) On 8 December 2011 the Governing Council decided on additional enhanced credit support measures to support bank lending and liquidity in the euro area money market. As the ECB’s minimum reserve system does not need to be applied to the same extent as under normal circumstances to steer money market conditions, in order to enhance the provision of liquidity to counterparties to Eurosystem monetary policy operations it is necessary to reduce the reserve ratio to 1 %. Regulation (EC) No 1745/2003 (ECB/2003/9) should therefore be amended,

HAS ADOPTED THIS REGULATION:

Article 1

Amendment to Regulation (EC) No 1745/2003 (ECB/2003/9)

Article 4(2) of Regulation (EC) No 1745/2003 (ECB/2003/9) is replaced by the following:

‘2. A reserve ratio of 1 % shall apply to all other liabilities included in the reserve base.’.

Article 2

Entry into force

1. This Regulation shall enter into force on the third day following its publication in the Official Journal of the European Union.

2. Article 1 shall apply from the maintenance period starting on 18 January 2012.

Done at Frankfurt am Main, 14 December 2011.

For the Governing Council of the ECB
The President of the ECB
Mario DRAGHI