



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-CONFIDENTIAL

AGREEMENT

OF 3 August 2018

ON THE MULTILATERAL NETTING OF END-OF-DAY OBLIGATIONS
IN TARGET2

ECB-PUBLIC

THIS AGREEMENT IS MADE ON 3 AUGUST 2018 BETWEEN:

The European Central Bank

Sonnemannstrasse 20

60314 Frankfurt am Main

Germany

(hereinafter the 'ECB')

and

Nationale Bank van België/Banque Nationale de Belgique

de Berlaimontlaan 14/Boulevard de Berlaimont 14

1000 Brussels

Belgium

Deutsche Bundesbank

Wilhelm-Epstein-Str. 14

60431 Frankfurt am Main

Germany

Eesti Pank

Estonia pst. 13

15095 Tallinn

Estonia

Central Bank of Ireland

New Wapping Street

North Wall Quay

Dublin 1, D01 F7X3

Ireland

Bank of Greece

21 E. Venizelos Avenue

10250 Athens

Greece

Banco de España

Alcalá 48

28014 Madrid

Spain

Banque de France

31, rue Croix-des-Petits-Champs

75001 Paris

France

Banca d'Italia

Via Nazionale, 91

00184 Rome

Italy

Central Bank of Cyprus

80, Kennedy Avenue

1076 Nicosia

Cyprus

Latvijas Banka

K. Valdemara iela 2a

1050 Riga

Latvia

Lietuvos bankas

Gedimino 6

01103 Vilnius

Lithuania

Banque centrale du Luxembourg

2 boulevard Royal

2983 Luxembourg

Luxembourg

Central Bank of Malta

Pjazza Kastilja

Valletta, VLT 1060

Malta

De Nederlandsche Bank

Westeinde 1

1017 ZN Amsterdam

Netherlands

Oesterreichische Nationalbank

Otto-Wagner-Platz 3

1090 Vienna

Austria

Banco de Portugal

Rua do Comércio, 148

1100-150 Lisbon

Portugal

Banka Slovenije

Slovenska cesta 35

1505 Ljubljana

Slovenia

Národná banka Slovenska

Imricha Karvaša 1

813 25 Bratislava

Slovakia

Suomen Pankki

Snellmaninaukio

00101 Helsinki

Finland

(hereinafter referred to collectively as the 'euro area NCBs' or individually as a 'euro area NCB')

and

Българска народна банка (Bulgarian National Bank)

1, Knyaz Alexander I Sq.

Sofia-1000

Bulgaria

Danmarks Nationalbank

Havnegade 5
1093 Copenhagen K
Denmark

Hrvatska narodna banka

Trg hrvatskih velikana 3
10002 Zagreb
Croatia

Narodowy Bank Polski

ulica Świętokrzyska 11/21
00-919 Warsaw
Poland

Banca Națională a României

strada Lipscani nr. 25, sector 3
030031 Bucharest
Romania

(hereinafter referred to collectively as the 'connected NCBs' or individually as a 'connected NCB').

The euro area NCBs and the connected NCBs are referred to collectively as the 'NCBs' or individually as an 'NCB'.

The parties to this Agreement are referred to collectively as the 'Parties' or individually as a 'Party'.

Whereas:

- (1) The ECB and a number of NCBs established the original Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) system.

- (2) Since 19 November 2007, TARGET has been replaced by TARGET2, which is governed by Guideline ECB/2012/27 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2)¹. Guideline ECB/2012/27 contains provisions governing the establishment, management and operation of TARGET2 which are binding on the euro area NCBs.
- (3) Article 6 of Guideline ECB/2012/27 provides that 'any settlement of payments between participants in different TARGET2 component systems shall automatically give rise to an intra-Eurosystem obligation of the Eurosystem CB of the payer towards the Eurosystem CB of the payee' and that such obligations 'shall automatically be aggregated and form part of a single obligation in relation to each Eurosystem CB'.
- (4) The ECB, the euro area NCBs and the connected NCBs entered into an Agreement of 3 August 2018 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2) (hereinafter the 'TARGET2 Agreement') which sets out the terms and conditions under which connected NCBs connect to TARGET2.
- (5) To ensure the efficient management of inter-NCB claims and liabilities in TARGET2, it is appropriate, as in the case of TARGET, to establish a multilateral netting scheme based on novation, with the ECB acting as the central counterparty.
- (6) On 21 June 2017, the Governing Council of the European Central Bank decided to launch the new TARGET Instant Payment Settlement (TIPS) service. TIPS service enables settlement of instant payment orders in central bank money 24 hours a day any calendar day of the year, with immediate or close to immediate processing.
- (7) The Agreement of 26 September 2013 on the multilateral netting of end-of-day obligations in TARGET2 was replaced to take into account the abrogation of the derogation with regards to Lithuania effective from 1 January 2015.
- (8) The Agreement of 13 November 2014 was replaced to take into account the fact that from 1 February 2016, Hrvatska narodna banka (the Croatian National Bank) became a Connected NCB.
- (9) The Agreement of 20 January 2016 now needs to be replaced to take into account the fact that TIPS Dedicated Cash Accounts (TIPS DCAs) in TARGET2 will not be squared to zero at the end of the TARGET2 business day, meaning that the balances on TIPS DCAs will, therefore, form part of the NCBs' end-of-day positions. Balances on TIPS DCAs shall not be calculated as bilateral intra-Eurosystem positions **among NCBs but as one position vis-à-vis the ECB,**

HAVE AGREED AS FOLLOWS:

¹ OJ L 30, 30.1.2013, p. 1.

*Article 1***Definitions**

Terms used in this Agreement, but not specifically defined herein, shall have the same meaning as those in Guideline ECB/2012/27.

*Article 2***Daily multilateral netting of inter-NCB claims and liabilities in TARGET2**

1. At the end of each business day, and following the successful technical completion of the end-of-day reconciliation procedures effected by the SSP-providing NCBs, all bilateral net obligations between any two NCBs, resulting from the settlement of payments between participants in different TARGET2 component systems and their conversion into single obligations in line with paragraphs 1 and 2 of Article 6 of Guideline ECB/2012/27 shall be netted by novation so that:
 - (a) each original net obligation arising under Article 6(2) of the TARGET2 Guideline (hereinafter the 'discharged debt obligation') owed by one NCB (hereinafter the 'obligor NCB') to another NCB (hereinafter the 'creditor NCB') shall be replaced by two separate debt obligations (each hereinafter referred to as a 'replacement debt obligation') of an equal amount to that of the discharged debt obligation, one being a liability of the obligor NCB to the ECB, and the other being a liability of the ECB to the creditor NCB;
 - (b) in relation to each such discharged debt obligation, the obligor NCB and the creditor NCB shall be released from their respective obligations towards one another, and their existing rights against one another shall be cancelled, and in substitution for such obligations and rights, the obligor NCB and the creditor NCB shall assume obligations towards the ECB and/or acquire rights against the ECB corresponding to their respective replacement debt obligations.
2. In conjunction with the novation of the discharged debt obligations referred to in paragraph 1, all bilateral net obligations between each NCB and the ECB (resulting from the settlement of payments between participants in the TARGET2 component systems of the respective NCB and that of the ECB) shall be netted against the amount of the respective replacement debt obligations of each of them, with the result that all obligations between each NCB and the ECB are reduced to a single debt obligation owed by the ECB to each NCB or vice versa, as applicable.
3. In line with paragraph 3a of Article 6 of Guideline ECB/2012/27, end-of-day balances on all TIPS DCAs opened at an individual CB will be calculated as a single position of each CB vis-à-vis the ECB. The positions on the account of each CB opened at the ECB (and mirrored in the ECB mirror account) shall be adjusted on a daily basis, using the delta of the end-of-day balances of all the TIPS DCAs in the books of the respective CB.

4. The calculation and payment of interest on any aggregate credit balances held overnight, as referred to in Article 2(6) of the TARGET2 Agreement, shall only occur after the novation and netting referred to in paragraphs 1 and 2 and after inclusion and adjustment on a daily basis of the end-of-day balances on TIPS DCAs opened at individual CBs to the final end-of-day position of the CB vis-à-vis the ECB as referred to in paragraph 3.

Article 3

Duration, amendment and termination

1. This Agreement shall become effective on 30 November 2018 and shall continue in force until TARGET2 as a whole is terminated by the Governing Council. This Agreement may be amended and/or terminated with the consent of all NCBs and the ECB.
2. In the event of termination of the TARGET2 Agreement in relation to one or more connected NCBs, the participation of such connected NCBs in this Agreement shall be terminated from the date they disconnect from TARGET2.
3. On the day on which this Agreement becomes effective, the Agreement of 20 January 2016 on the multilateral netting of end-of-day obligations in TARGET2 shall terminate. Thereafter, references to the Agreement of 20 January 2016 on the multilateral netting of end-of-day obligations in TARGET2 shall be construed as references to this Agreement.

Article 4

Governing law and dispute resolution

1. The terms and conditions of this Agreement shall be governed by and construed in accordance with the laws of the seat of the ECB.
2. In the event of legal disputes between the Parties, the Parties shall take all necessary action to settle these disputes, without any public attention, pursuant to the terms and conditions set out in the Memorandum of Understanding on an Intra-ESCB Dispute Settlement Procedure.

Done on 3 August 2018 and signed by the Parties' duly authorised representatives. Made in one original copy in the English language, deposited in the vaults of the ECB. Each party will receive a certified copy thereof.

For the Nationale Bank van België/Banque Nationale de Belgique

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ECB-PUBLIC

For the Deutsche Bundesbank

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ECB-PUBLIC

For Eesti Pank

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ECB-PUBLIC

For the Central Bank of Ireland

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For the Bank of Greece

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For the Banco de Portugal

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For Banka Slovenije

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For Národná banka Slovenska

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For Българска народна банка (Bulgarian National Bank)

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