

## **Additional Information concerning Minimum Reserves**

In accordance with paragraph 13 of Annex I of the Bank's Documentation on Monetary Policy Instruments and Procedures (the "MPIPs") on the ESCB's minimum reserves regime, this note provides information on the Bank's procedures applying to minimum reserve requirements for Irish credit institutions.

### **Procedures In Respect Of Minimum Reserve Requirement Accounts**

All credit institutions resident in Ireland, apart from credit unions, are required to submit a minimum reserve calculation based on their balance sheet data as at the last working day of each month. This calculation, which must be submitted to the Statistics Division in the Bank by the tenth working day after month-end, determines an institution's reserve requirement for the following maintenance period. Credit unions are required to submit a minimum reserve calculation quarterly relating to end-March, end-June, end-September and end-December balance sheet data. Credit unions must submit their calculation when they submit their Prudential Return to the Bank (Registrar of Credit Unions). This is due to be submitted by the 21st day of the month after the quarter end. Details of the calculation are contained in the Resident Offices Return for monthly reporters and in the Prudential Return Guidance Notes for credit unions. All credit institutions are entitled to change the data used to calculate their minimum reserve requirement up to the freezing date, which is two business days before the start of the relevant maintenance period (see calendar on Statistics Section of the Bank's website <http://www.centralbank.ie/polstats/stats/reporting/Pages/Dates.aspx> for maintenance period dates and freezing dates).

Each credit institution is responsible for ensuring that its reserve requirement is correctly calculated and that the relevant individuals within the settlement and treasury area of the organisation are informed of the new required deposit in advance of the commencement of each maintenance period.

**The onus for ensuring that a credit institution's reserve requirement is met each period lies with that credit institution.**

Reserve holdings that exceed the required minimum reserve shall be remunerated at zero per cent or the deposit facility rate, whichever is lower.

*It should be noted that a credit institution's end-of-day balance on its minimum reserve account at close of business on the last day of a maintenance period is included in the calculation of its average daily reserve holdings for that maintenance period.*

Credit institutions are not notified by the Bank of their reserve requirement for any maintenance period; this information will be available within an institution well in advance of the start of each maintenance period.

### **Operational Arrangements**

The operational arrangements relating to minimum reserve accounts and the procedures to be followed by institutions lodging/withdrawing funds from their minimum reserve account are as follows:

#### *Institutions which are Direct Participants in TARGET2-Ireland*

Credit institutions that are direct participants in TARGET2-Ireland maintain an account within the Payments Module (PM) of the Single Shared Platform (SSP). Such institutions must satisfy their minimum reserve requirement on their minimum reserve account, which may be either their PM account or a separate account. Any credit balance on the minimum reserve account at the end of the day (after completion of any marginal lending facility or overnight deposit transactions) is used to meet the minimum reserve requirements. Consequently, any credit or debit to the minimum reserve account during the day affects the balance available at the end of the day for minimum reserve requirement purposes.

For any day on which transactions occur on an institution's minimum reserve account, the Bank will issue a statement to that institution the following day to show the details of the transaction(s) and the resulting balance on the account.

It should also be noted that the requirement is calculated over the entire maintenance period, based on the institution's average balance over that time. Therefore an institution does not have to meet the requirement every evening, rather just ensure that the average of their closing balances over the entire period meets the requirement or else they will face potential penalties (see MPIPS paragraph 11 of Annex I).

The Reserve Management Module (RM) in TARGET2-Ireland provides participants that avail of the possibility to have online real-time access *via* the Information and Control Module (ICM) with the following information:

- Their reserve requirement at any time
- The balance on their minimum reserve account at the end of each day and the average balance over the current maintenance period

1 May 2015

- The average balance necessary over the remainder of the maintenance period to satisfy their reserve requirement.

*Institutions which are not Direct Participants in TARGET2-Ireland*

For indirect participants in TARGET2-Ireland, minimum reserve procedures are the same as for direct participants in TARGET2-Ireland except for the need to maintain their reserve holdings in a HAM account on the TARGET2 system. To lodge or withdraw funds to/from this account they must make the transaction through a direct participant. The templates to be used for this purpose are below.

- Credit of funds to HAM account

The only method of depositing funds to the minimum reserve account is *via* the TARGET2 system. HAM account holders are required to transfer the required balance *via* a correspondent bank i.e., a direct participant in TARGET2. The direct participant will then be required to send a SWIFT payment message, *via* the TARGET2 system, using a specific format known as a Simplified MT202.

Please see the following sample SIMPLIFIED SWIFT MT202 payment message.

Fin copy code	TGT
Sender	BIC of direct PM participant
Receiver	TRGTXEPMHAM
Field 20	Transaction reference no.
Field 21	Related reference
Field 32A	Value date, currency code and amount
Field 58A	Bic of HAM account holder

**Please note that if the correct message format is not used funds will not be credited to the account and will be returned to the sending bank.**

- Withdrawal of Funds from Minimum Reserve Account

In order to withdraw fund from a Minimum Reserve Account the HAM account holder is required to send an instruction with the following details:

	Explanatory Notes
BIC of HAM account to be debited	YOUR SWIFT BIC Code  (ie xxxxIE21)
Reference of Payment	A reference suitable to yourself. Maximum of 16 characters
Value Date	Date payment is to be made
Currency Code	Always "EUR"
Amount	Amount to be withdrawn
BIC of Direct PM Participant	YOUR Bank's SWIFT BIC Code  (or name of your bank) (ie xxxxIE2D)
Field 72	Please include your account number at your bank

### **Contacting the Bank**

To assist in ensuring their compliance with minimum reserve requirements, credit institutions may contact the Bank (the Euro Settlements section in PSSD (details below)) for balance information on their minimum reserve account at any time.

For more information on the calculation of reserve requirements, please contact the Bank's Statistics Division at:

Section: Technical Support/Credit institutions

Email Address: <mailto:creditunion@centralbank.ie> or [creditinst@centralbank.ie](mailto:creditinst@centralbank.ie)

Contact Number: 01 224 6927/6923

For information on transferring amounts to and from a minimum reserve account with the Bank, and account balance information please contact the Payment and Securities Settlements Division (PSSD) at:

Section: Euro Settlements

Email Address: <mailto:eurosettlements@centralbank.ie>

Contact Number: 01 224 6190/6172/6168/6170