



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem

# Procedures in Respect of Minimum Reserve Requirement Accounts in TARGET-Ireland

March 2023

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## Additional Information concerning Minimum Reserves

In accordance with paragraph 14 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 (Statistics Section of the Bank's website <https://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. Credit institutions are not notified by the Bank of their reserve requirement for any 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.*

## **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:

### **Participants in TARGET-Ireland**

Credit institutions that are participants in TARGET-Ireland must maintain a Main Cash Account (MCA) within the Central liquidity management (CLM) component of T2. Participants that are RTGS participants also hold a dedicated cash account (DCA) in the RTGS component of T2. Such institutions must satisfy their minimum reserve requirement on their minimum reserve account, which is the overall balance on their MCA and any additional funds held on their DCAs. 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 sanctions (see MPIPS paragraphs 11 - 13 of Annex I).

The CLM component in TARGET-Ireland provides participants 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; and
- The average balance necessary over the remainder of the maintenance period to satisfy their reserve requirement.

### MCA only Participants in TARGET-Ireland

For MCA only participants in TARGET-Ireland, minimum reserve procedures are the same as for RTGS participants in TARGET-Ireland except for the lodgement or withdrawal of funds to/from the MCA account. MCA only participants must make the transaction through a RTGS participant.

#### Credit of funds to Minimum Reserve Account

The only method of depositing funds to the minimum reserve account is *via* the TARGET system. MCA account holders are required to transfer the required balance *via* a RTGS participant in TARGET. The RTGS participant will then fund the MCA either via a SWIFT message or directly on the T2 GUI.

**To lodge funds to their MCA, the participant must contact the RTGS participant and arrange the transfer.**

#### Withdrawal of Funds from Minimum Reserve Account

In order to withdraw funds from a Minimum Reserve Account the MCA account holder is required to send an instruction signed by an authorised signatory, with the following details:

Withdrawal of Funds from Minimum Reserve Account	
Information Required	Explanatory Notes
BIC of MCA account to be debited	YOUR SWIFT BIC Code (i.e. xxxxIE21XXX)
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 RTGS Participant	YOUR Bank's SWIFT BIC Code (i.e. xxxxIE2DXXX)
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 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).

Section: Euro Settlements

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

Contact Number: 01 224 6144/4618/6167

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

Section: Mortgage Arrears & Retail Interest Rates Statistics Team /Credit institutions

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