

## Process to become a Eurosystem eligible monetary policy counterparty of the Central Bank of Ireland

- A. In the euro area, monetary policy is implemented on a decentralised basis, which means that in order to participate in Eurosystem monetary policy operations (i.e., open market operations and standing facilities) an institution needs to be a monetary policy counterparty (a 'counterparty') of a euro area national central bank ('NCB').<sup>1</sup> The relevant legal framework is laid down in Guideline ECB/2014/60<sup>2</sup>, as amended, which is addressed to the Eurosystem and implemented by all euro area NCBs, including the Central Bank of Ireland (the 'Central Bank' or the 'Bank'), in contractual or regulatory arrangements. This note describes the requirements to become a counterparty of the Central Bank.
- B. There are two types of counterparty of the Central Bank:
- (a) *Full access counterparties*, that may participate in open market operations (liquidity providing and liquidity absorbing), access the marginal lending facility (liquidity providing standing facility) and access the deposit facility (liquidity absorbing standing facility); and
  - (b) *Partial access counterparties*, that may only access the deposit facility and cannot avail of Eurosystem lending (i.e., it cannot participate in open market operations or borrow via the marginal lending facility).

An institution itself first assesses whether it would like to become a full access or a partial access counterparty of the Central Bank and then initiates the application process as explained below.

- C. An institution considering an application to become a counterparty of the Central Bank should consult the relevant information published on the Bank's website (see for example [link](#)). In particular, applicants should note the eligibility criteria that must be met to become a Eurosystem counterparty, which are set out in Article 55 of the Bank's *Documentation on Monetary Policy Instruments and Procedures* ('MPIPs') - see further Section 2 below.

### **PROCEDURE TO BECOME A MONETARY POLICY COUNTERPARTY**

#### **1. Application**

An application to become a counterparty of the Central Bank should be submitted to the Bank's Market Operations team by sending an email to [modesk@centralbank.ie](mailto:modesk@centralbank.ie). The email should contain the words '[Name of institution] - Counterparty application' in the subject line and should include the following information:

Name of the (branch of a) credit institution (CI)	
Access Requested	<i>Specify [Full access counterparty] or [Partial access counterparty (i.e., Deposit Facility only)]</i>
MFI ID	
Is it a branch?	
For branches: name and country of origin of the entity to which the branch belongs	

<sup>1</sup> A participant in TARGET2 may also access the Eurosystem's intraday credit facility.

<sup>2</sup> Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60).

(and, if available: MFI ID, LEI, otherwise: BIC)	
<b>Organisational structure of the (branch of a) CI</b>	
Does it belong to a financial group?	
Subsidiaries in euro area	
Branches in euro area	
Other closely linked institutions in the euro area	

## 2. Eligibility assessment and settlement requirements

- (i) The Bank will assess if the applicant satisfies the eligibility criteria contained in Article 55 of the MIPs. If the Bank determines that the applicant is eligible to become a counterparty, the legal process described in Section 3 below is initiated.
- (ii) Before an applicant can become a full access counterparty of the Bank, it must also satisfy settlement requirements provided for by the MIPs. It is mandatory that the Central Bank can facilitate a direct debit to an account on the maturity of any Euro denominated Eurosystem monetary policy operation and, for this purpose, a counterparty must have access to a settlement account in TARGET2. There are two means by which this can be done, depending on the participation type of the counterparty in TARGET2:
- *Direct Participation* – If the applicant is, or becomes, a direct participant in TARGET2, the Central Bank will direct debit their TARGET2 Main Cash Account in CLM; or
  - *Indirect Participation* – If the applicant is, or becomes, an indirect participant in TARGET2, the applicant must arrange an agreement with a direct participant with whom they have their settlement account, to ensure that funds can be credited to the indirect participants TARGET2 Main Cash Account in CLM to allow for the Central Bank to direct debit this account on the maturity date of the monetary policy operation.
- (iii) Both of the options above will require completion of the TARGET Services Registration Form by the applicant and insertion of same onto TARGET2 by the NCB responsible for the direct participant. Further information in relation to this process can be sought by contacting [collateralmanagement@centralbank.ie](mailto:collateralmanagement@centralbank.ie). Arrangements to ensure that this requirement is satisfied should be initiated at an early stage of the application process. Failure to arrange either of the options above would prevent the applicant from being able to settle a Eurosystem monetary policy operation and, thus, prohibit them from accessing Eurosystem lending.

## 3. Legal process

- (i) *Legal documentation*
- (a) Any applicant to become either a full access or a partial access counterparty of the Bank is required to enter into:
- the Agreement in respect of Eurosystem Monetary Policy Instruments and Procedures (the '**MIPs Agreement**').
- (b) To become a full access counterparty of the Bank, an applicant must also enter into:
- the Framework Agreement in respect of Eurosystem Operations secured over Collateral Pool Assets (the '**Collateral Pooling Framework Agreement**'); and

- the Deed of Charge (Collateral Pooling Framework Agreement) (the '**Deed of Charge**').<sup>3</sup>

(c) Template versions of each of those legal documents may be found on the Bank's website via this [link](#). The procedure for entering into those legal documents is set out below.

(ii) *Preparation of execution versions*

In order to enable the Bank to prepare execution versions of the relevant legal document(s), the applicant must provide the following to [modesk@centralbank.ie](mailto:modesk@centralbank.ie)

- full company name
- law of incorporation
- company registration number
- registered office address
- notice details for the purpose of clause 5 of the MIPs Agreement, clause 11 of the Collateral Pooling Framework Agreement and clause 20 of the Deed of Charge, including the address, facsimile number, e-mail address or SWIFT address, as applicable, and for the attention of whom (preferably a function rather than a named person (for example, Head of Payments and Securities Settlements Division))
- any specific requirements of the applicant for the signature block(s) as regards the form of execution (for example, whether the company seal will be applied) and the number of signatories (including any witness), which should reflect the requirements of the applicant's constitutive documents and applicable law.

(iii) *Legal opinion*

- In accordance with clause 10 of the MIPs Agreement, clause 16 of the Pooling Framework Agreement and clause 10 of the Deed of Charge, the Central Bank requires each applicant to provide a legal opinion from external legal advisers in respect of the relevant legal document(s) in a form acceptable to the Bank. The draft opinion should be supplied to the Bank in advance for review and the form of opinion will need to be agreed with the Bank prior to delivery. Templates of the applicable legal opinions are available on the Bank's website via this [link](#).
- Certain of the opinions requested may be based on assumptions as to matters of fact, but such assumptions, and any factual aspects of any qualification in the opinion, should be supported by a corporate certificate provided by an appropriate officer (director, company secretary or equivalent) of the applicant and should refer to a factual reference in the corporate certificate or in a relevant representation, warranty or covenant in the legal documents. In such cases, a draft corporate certificate should be provided to the Bank in advance for review.

(iv) *Execution*

- An applicant may only proceed to execution of the legal documentation when:
  - execution versions of the relevant legal documents have been circulated by the Bank;
  - the Bank has determined that the draft legal opinion, and any related corporate certificate, is acceptable;
  - the Bank and the applicant have agreed who is responsible for any filing and registration obligations that arise in respect of the relevant legal documentation; and
  - it receives instruction from the Bank that it is in order to proceed to execution.

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<sup>3</sup>A participant in TARGET2-Ireland that wishes to access the intraday credit facility, provided for by Annex II of the TARGET2-Ireland Terms and Conditions, must also enter into these agreements.

- (b) The applicant should notify the Bank when it proposes to execute the relevant legal documentation. When the timing is agreed with the Bank, the applicant should provide the Bank with two signed (in wet ink) but undated copies of each legal document in hard copy. The legal documentation will be dated when executed by the Bank and will be held by the Bank until receipt of the final legal opinion and, if relevant, corporate certificate. (In instances where a corporate certificate is not required by the Bank, evidence of the requisite power and authority of the authorised signatories executing the relevant legal document(s) will need to be provided to the Bank.)
- (v) *Post-Execution*

If applicable, the counterparty should fulfil any filing and registration obligations in respect of the legal documentation.

#### **4. Further requirements for the settlement process for full access counterparties**

- (i) Once the relevant legal documentation has been fully executed, the Customer & Target Services team (CTS) in the Central Bank will if required, open an account at its T2S CSD (Euroclear), for receiving securities mobilised as collateral for Eurosystem monetary policy operations. The details of this account will be provided to the new counterparty once opened.
- (ii) The CTS team in the Bank will also request that the Target Services Registration form is completed and submitted by the counterparty to allow their set-up in the Eurosystem Collateral Management System (ECMS). The counterparty shall provide the Bank with a list of authorised signatories with sample signatures on headed paper. The registration form and authorised signatories can be sent to both [collateralmanagement@centralbank.ie](mailto:collateralmanagement@centralbank.ie) and [targetadmin@centralbank.ie](mailto:targetadmin@centralbank.ie).
- (iii) The counterparty will then be required to carry out testing with the Bank for mobilisation of collateral before the counterparty will be permitted to enter into live operations. The Bank can provide guidance on the required test cases and the message type formats required for these SWIFT messages (A2A) to assist the counterparty. It should be noted that the number of test cases required to be completed depends on if the counterparty opts for U2A or A2A access. The onus is on the counterparty to meet the message format requirements of the Bank, which are not negotiable, and the time required for testing depends on the counterparty complying with these formats.
- (iv) In advance of testing, the CTS team will provide training and documentation to the counterparty in relation to the settlement of Open Market Operations, accessing the marginal lending facility (including the mobilisation of collateral) and accessing the deposit facility.  
For further information in relation to points (i) to (iv) above please contact the CTS team @ [collateralmanagement@centralbank.ie](mailto:collateralmanagement@centralbank.ie).
- (v) After successful completion of the testing, the Bank will be in a position to provide liquidity to the counterparty *via* Eurosystem monetary policy operations in accordance with the Bank's Documentation on Monetary Policy Instruments and Procedures.

#### **5. Requirements for releasing security under a Deed of Charge**

The Bank has certain processes in place for the release of security created in its favour under a Deed of Charge. The process for releasing security will be outlined in the terms of the Deed together with any relevant underlying agreement(s) that is entered into between the Bank and a counterparty (e.g. Framework Agreement in respect of Eurosystem Operations secured over collateral pool assets). These envisage a standard form of engagement with the Bank prior to security being released and prior to the counterparty making any filing with the Companies Registration Office (CRO).

As part of the process for releasing security under a Deed of Charge, the following steps should be followed:

- (i) In the first instance, the counterparty is expected to liaise with the Bank to terminate the underlying agreement(s) in respect of the charge(s). The counterparty must provide the Bank with a termination notice with a view to terminating each of the relevant agreements, in accordance with the termination notice periods provided for under the agreement.
- (ii) Subject to the Bank being satisfied that there are no outstanding obligations under the relevant agreement(s), at the request of the counterparty, the Bank may agree to release the security by entering into a Deed of Release with the counterparty in respect of each charge as per the terms of the individual Deed.
- (iii) Once the Deed(s) of Release has been executed by both the counterparty and the Bank, the relevant Form(s) C6 can be filed in the CRO confirming satisfaction of the charge(s). This has the effect of putting on public record that the security has been satisfied.