

## **UPDATED GUIDELINES ON MANAGING EXCESS CASH RESERVES DERIVING FROM FEES AND CHARGES<sup>1</sup>**

The following document sets out the recommended principles based on which the excess funds held by ECHA can be managed by an external party.

### **1. Use of funds**

- a) The cash balance maintained by ECHA shall be sufficient to meet legal obligations of the Agency at all times.
- b) To the extent that the cash balance is not required to meet the obligations as described in point 1(a), it shall be managed so as to provide revenue to be credited to the Agency.

### **2. Cash management principles**

- a) Management of the Agency's cash reserves will be based on prudential rules applied to financial activities in accordance with sound financial management and best banking practice.
- b) The surplus balances will be invested in Euros. All investments will be made in this currency in order to avoid any exchange rate risk.
- c) The cash reserve investments will aim to maintain a high degree of security while achieving the best market conditions. Particular care will be taken to manage financial risks, adequate diversification and to ensure that the managed assets have a sufficient degree of liquidity in relation to meeting the legal commitments to which the Agency must fulfil.
- d) To limit the interest rate risk, the Agency's cash reserves shall be placed in bank deposits with a maximum maturity from the value date of 12 months<sup>2</sup>.

### **3. Risk limitations**

- a) The list of banks authorised to receive deposits will comprise of banks that are well regarded by the rating agencies, i.e. with at least one minimum short-term rating P-1 Moody's or equivalent (A-1 Standard & Poor's or F1 Fitch).
- b) The ceiling of deposits with authorised banks referred to in 3(a) is fixed at 5% of the banks' equity capital or EUR 50 million, whichever is the lower. In the case of banking groups, the limits will also be assessed on the basis of the consolidated equity capital of the group in question.
- c) In order to help ensure risk minimisation, the total amount invested with any single counterparty must not exceed 50% of the Agency's excess cash reserves. However, when the excess cash reserves fall below EUR 50 million a maximum of EUR 25 million may be invested with any one financial institution, dependent upon meeting the requirements mentioned above.

### **4. Reporting**

The Agency will report on its investments and the interest earned in its annual financial statements.

### **5. Auditing**

The Agency shall reserve the right to request external audits on the management of its portfolio, should it consider this to be necessary.

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<sup>1</sup> as contained in chapter 2 of MB/42/2009

<sup>2</sup> Should interest rates become negative the cash reserves will be held on the Agency's current account in order to avoid a loss of value.