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Financial relations between railway undertakings - Principles and terms of application

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Finanzbeziehungen zwischen den Eisenbahnverkehrsunternehmen - Grundsätze und
Anwendungsmodalitäten



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Summary

UIC Leaflet 311 defines the general procedures governing financial relations between UIC Members. Other railways may use the leaflet on the basis of a corresponding agreement.

The obligatory/recommendatory provisions aim to harmonise procedures for accountancy and the payment of mutual services, and are compliant with the Uniform Regulations governing International Carriage by Rail (COTIF 1999), the European Directives to be applied, and other regulations of UIC and the Brussels Clearing House (BCC).

The present leaflet obliges users to register credits and debts resulting from traffic services brought to account in accordance with *UIC Leaflets 301 and 304* in a current account and clear balances monthly. In as far as the accounting regulations provide for income being collected on foreign routes, companies are obliged to observe a fixed value date, which is used to calculate accounting charges.

For the exchange of other services (non-traffic services), the payment conditions agreed in service contracts will generally apply. Use of the current account system is also recommended in these cases. If such agreements do not exist or are not clearly expressed, recourse can be made to the regulations laid out in *UIC Leaflet 311*.

Financial relations in the sense used in this leaflet are subject to risks resulting from fluctuations in currency exchange rates and from accounting and payment procedures.

As in the regulations governing charges, users are offered a uniform reference interest rate (EURIBOR one-month rate), in order to limit the losses to both parties resulting from accounting delays.

The risk of lost income through failure to pay (long-term debt) has increased for creditors in that the new COTIF no longer provides for referral to OCTI or the breaking of the transport chain through restrictions on prepayment facilities. In addition to the requirements for guarantees, the UIC protective measures constitute the only safe means of reducing risk.

The appendices serve to implement the principles laid down in the texts.

1 - General terms and conditions

1.1 - Purpose

The present leaflet governs all the general procedures to be followed in financial relations between railway companies as defined in point 1.3 and is intended to harmonise financial processes (protecting against risks and ensuring efficiency, ease of implementation and transparency of accounting and payments for reciprocal services).

Companies may draw up bilateral agreements for their own use, in which their financial relations are more precisely described, as long as these respect the provisions of the present leaflet.

1.2 - Basic principles

The leaflet is based on the uniform rules of the Convention concerning international carriage by rail (COTIF) - including Appendices A - page 17 to E - page 23 - and on existing relations between companies providing services based on the Convention. The leaflet also takes account of European Directives as well as the provisions of the UIC code and those governing the procedures of the Brussels Clearing House (see point 2.1 - page 3).

1.3 - Scope

1.3.1 - Parties involved

The leaflet applies to all UIC members which as public or private companies are railway infrastructure managers and/or railway service operators and/or which provide other specific rail services. The leaflet also applies to companies which are not UIC members based on specific agreements.

1.3.2 - Operations involved

The leaflet applies to all financial relations resulting from:

- the execution and accountancy of traffic services,
- the accountancy of infrastructure charging,
- the leasing and accountancy of hauled stock,
- the execution and accountancy of services.

2 - Principles of financial relations: concepts and definitions

2.1 - Brussels Clearing House (BCC)

The Brussels Clearing House, which was founded under Belgian law in 1925, became a limited liability association on 1.1.1997 (BCC s.c.r.l, see List of abbreviations - [page 27](#)). It has a separate legal personality and headquarters in Brussels.

As stated in its statutes, its objective as an association is to provide financial and commercial services to its members, in particular:

- to reduce financial flows by offsetting its members' debits and credits on a multilateral basis,
- to define the currencies recognised for use in financial relations between members,
- to publish an exchange-rate table periodically and to monitor exchange-rate fluctuations and the resulting currency periods (see point [2.4.2 - page 5](#)).

It is recommended that the companies join the Brussels Clearing House and take all necessary steps to ensure that the conditions of payment in their supply and service contracts allow for payment via BCC.

2.2 - Currency

The currency of a State or community of States is determined by the legal and institutional regulations of the monetary system of an economic organisation, these regulations conferring its status of legal currency and giving it the functional role of legal means of payment. In accordance with IMF rules, reference may be made to another currency or a basket of currencies, and fluctuation margins may be set in relation to a reference unit. The conversion rate of a currency may also float freely, in other words not be linked to any other currency or standard.

2.2.1 - Terminology

The following terms apply in the context of financial relations between companies:

National currency:	the legal currency of the State in which the company is recorded on the Trade Register.
Third currencies:	currency specified in bilateral contracts and agreements other than the national currencies of the companies concerned.
Currency used to express a tariff or service:	a recognised national currency in which the price for a service is quoted.
Payment currency:	a national currency approved for payment of amounts due.

2.2.2 - European Currency Unit - Euro

Since 1 January 2002, the euro has been the legal currency and means of payment of those member countries of the European Union (EU) party to the Treaty on Economic and Monetary Union (EMU).

One euro is made up of 100 cents. The euro is directly quoted (see point 2.4.1 - page 5).

References to former national currency units shall be understood as referring to the euro at the fixed rate of exchange.

The currencies of EU Member States outside the eurozone fluctuate within the standard margins around the fixed rate of exchange determined with reference to the euro.

The exchange rate between the euro and the currencies of those countries not party to EMU is established by quotation on the foreign exchange market.

2.2.3 - Recognition of a currency

A currency is considered to be recognised if the BCC is able to obtain an official daily exchange rate vis-à-vis the euro from the central bank or a large commercial bank in the country concerned.

Currencies recognised in international railway relations are specified in the BCC table of exchange rates.

A recognised national currency can be used to express tariffs and other services, and can be used as a payment currency if it is available on financial markets.

Any railway wishing to have its national currency recognised shall refer its request to the BCC and provide all the relevant information, in particular whether or not its central bank or a large commercial bank in its country offers a daily rate of exchange between the national currency and the euro. The BCC shall issue a recognition statement and incorporate the currency into its table of exchange rates at the same time.

Currencies must be referred to using the codes set out in the *international ISO standard 4217* (see [Bibliography - page 28](#)). The BCC identifies currencies recognised in international railway relations using an alphanumeric code composed of the ISO monetary code and a two-digit sequence number (see point 2.4.2 - page 5).

2.3 - Units of account

2.3.1 - Euro (EUR)

The euro (ISO code: EUR) is the common unit of account for companies settling their credits and debts via the clearing procedure (see point 2.5.2 - page 6).

In its table of exchange rates, the BCC provides companies with:

- the conversion rates set between the euro and the former national currencies of the countries of the European Monetary Union (for information),
- the daily quotations for the recognised currencies of countries not party to the European Monetary Union vis-à-vis the euro.

The euro shall be the preferred currency used to express tariffs and services, and as a payment currency.

2.3.2 - Special Drawing Rights (SDR)

Special Drawing Rights are a monetary unit of account used by the COTIF to express certain amounts in issues of liability. Companies can ask the central bank of the country where they are entered on the Trade Register or the European Central Bank for the daily value of Special Drawing Rights vis-à-vis the euro and other currencies in the SDR basket (USD, GBP, JPY).

2.4 - Exchange rates

2.4.1 - Parities

The exchange rate reflects the relation between two currencies.

A distinction must be made between direct and indirect quotation.

Indirect quotation corresponds to the cost of the national currency as one unit of a foreign currency.

Direct quotation is the number of units in the foreign currency for one unit of the national currency.

The exchange rates are determined by quotation on currency markets or set by the competent monetary authorities.

2.4.2 - Monetary periods

In view of the varying degrees of fluctuation affecting the rates of exchange of the currencies recognised on financial markets, the entries included in the current accounts (see point 2.5 - page 6) are split into monetary periods.

A monetary period for a given currency shall be the period beginning the day on which there is a significant variation in the exchange rate of that currency vis-à-vis the euro and shall end the day preceding the next significant variation.

A currency is deemed to have experienced a significant variation if the daily exchange rate of that national currency vis-à-vis the euro differs by more than 3% from the rate recorded on the first day of the monetary period (reference exchange rate). Any significant variation in the exchange rate observed by the BCC starts a new monetary period. Splitting of a monetary period is signalled by a splitting note from the BCC.

Each monetary period is identified by a two-digit sequence number following the ISO code of the currency, with the initial recognition period of a currency bearing the number 01. The euro is always given the monetary code EUR 01.

2.5 - Current account

2.5.1 - Bilateral current account

The current account contract represents an agreement between two companies governing compensation of reciprocal credits and debts resulting from their regular transactions, allowing a definitive bilateral creditor or debtor balance to be obtained.

The current account agreement comprises three interdependent actions:

- the entering of the amounts notified in the current account by each partner,
- the compensation of credits and debts to determine a balance,
- the recognition of the balance.

2.5.2 - Multilateral current account (Clearing)

Clearing describes the compensation performed by the BCC between the credits and debts entered in the current account of several companies. Multilateral compensation involves drawing up a separate account for each member, detailing their debts and credits vis-à-vis other members of the BCC, in order that there is only one balance per member.