EUROPEAN CENTRAL BANK

EUROSYSTEM

OPINION OF THE EUROPEAN CENTRAL BANK

of 30 September 2011

on minimum reserves

(CON/2011/75)

Introduction and legal basis

On 16 August 2011 the European Central Bank (ECB) received a request from Česká národní banka (CNB) for an opinion on a draft provision of the Czech National Bank stipulating the terms and conditions for creating minimum reserves (hereinafter the 'draft provision').

The ECB's competence to deliver an opinion is based on Articles 127(4) and 282(5) of the Treaty on the Functioning of the European Union and Article 2(2) of Council Decision 98/415/EC of 29 June 1998 on the consultation of the European Central Bank by national authorities regarding draft legislative provisions[1], as the draft provision relates to instruments of monetary policy of a Member State that has not adopted the euro. In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion.

1. Purpose of the draft provision

The draft provision will replace CNB provision No 2 of 23 September 2003, stipulating the terms and conditions for creating minimum reserves. Among other changes to the CNB provision, the draft provision extends to credit unions the obligation to hold minimum reserves[2], which currently applies only to banks and foreign bank branches, following the CNB Bank Board's decision of 12 May 2011. The draft provision covers, among other things, the reserve base, reserve ratio, compliance with the reserve requirement, remuneration, a sanction for non-compliance with the reserve requirement and the holding of minimum reserves in the event of the winding-up, conversion, transfer of the business or division of a bank or credit union. The text has been simplified[3] and refined in line with changes to related legislation.

2. General observations

Although Member States that have not adopted the euro retain their powers in the field of monetary policy, including in connection with their minimum reserves frameworks, it is nevertheless beneficial to achieve consistency with the Eurosystem minimum reserves framework so that their credit institutions

1 OJ L 189, 3.7.1998, p. 42.

2 Under Law No 6/1993 Coll. on Česká národní banka (hereinafter the 'CNB Law'), CNB may require banks, foreign bank branches and credit unions to hold minimum reserves. The CNB Law also provides the basic conditions for minimum reserves and authorises CNB to adopt a provision in this respect.

3 Technical details will be specified separately in CNB's Official Information published in respect of the draft provision (see, for example, Article 2(4) and Article 5(1) and (4) of the draft provision).

become acquainted with the reserve requirements that will apply to them following the adoption of the euro in the Member State where they are established. The legal framework for the Eurosystem's minimum reserve system consists of: (i) Article 19 of the Statute of the European System of Central Banks and of the European Central Bank; (ii) Council Regulation (EC) No 2531/98 of 23 November 1998 concerning the application of minimum reserves by the European Central Bank[4]; (iii) Regulation ECB/2003/9 of 12 September 2003 on the application of minimum reserves[5]; and (iv) in relation to the definition and calculation of the reserve base, Regulation ECB/2008/32 of 19 December 2008 concerning the balance sheet of the monetary financial institutions sector[6]. Article 11 and Annex III to Regulation ECB/2008/32 require the use of statistical information by credit institutions reported under this Regulation for minimum reserves purposes.

3. Specific observations

3.1 Under the draft provision, the credit institutions' minimum reserves calculations may be revised during the reserve maintenance period, in particular in case of corrections made to erroneous reporting of liabilities in the statistical statements. In this context, the ECB would like to point out that the Eurosystem's minimum reserves framework considers the credit institutions' minimum reserves calculations to be 'frozen' at the start of the relevant reserve maintenance period.

3.2 Finally, the ECB understands that the statistical reporting requirements used to calculate the reserve base of banks and foreign bank branches are aligned with Regulation ECB/2008/32, and that the CNB is preparing an amendment to the statistical reporting requirements for credit unions for the purpose of calculating credit unions' minimum reserves.

This opinion will be published on the ECB's website.

Done at Frankfurt am Main, 30 September 2011.

[signed]

The President of the ECB

Jean-Claude TRICHET

4 OJ L 318, 27.11.1998, p. 1.

5 OJ L 250, 2.10.2003, p. 10.

6 OJ L 15, 20.1.2009, p. 14.