EUROPEAN CENTRAL BANK

EUROSYSTEM

OPINION OF THE EUROPEAN CENTRAL BANK

of 26 November 2010

on the minimum reserves framework

(CON/2010/84)

Introduction and legal basis

On 25 October 2010, the European Central Bank (ECB) received a request from Eesti Pank for an opinion on the draft Governor decree on the procedure for calculating and complying with the reserve requirement (hereinafter the 'draft decree').

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 decree relates to monetary policy instruments. 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 decree

The draft decree will fine-tune the minimum reserve framework in Estonia to the Eurosystem minimum reserve system in preparation for the introduction of the euro in Estonia on 1 January 2011[2]. The draft decree will create a single legal act on minimum reserves that will apply from 1 January 2011 and will repeal the earlier legal acts.

2. General observations

2.1 Opinion CON/2010/60[3] addressed similar provisions, noting that Estonia will be subject from 1 January 2011 to the ECB's minimum reserves framework, consisting 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

1 OJ L 189, 3.7.1998, p. 42.

2 As decided at a meeting of the Economic and Financial Affairs Council on 13 July 2010.

3 All ECB opinions are published on the ECB's website at www.ecb.europa.eu.

4 OJ L 318, 27.11.1998, p. 1.

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 (recast)[6]. Article 11 and Annex III to Regulation ECB/2008/32 require the use of the statistical information by credit institutions reported under this Regulation for minimum reserves purposes. Special rules set out in this Regulation prevail over Regulation ECB/2003/9 and concern small credit institutions, group reporting and reserve requirements in the case of mergers.

2.2 Decision ECB/2010/18 of 26 October 2010 on transitional provision for the application of minimum reserves by the European Central Bank following the introduction of the euro in Estonia[7] ensures that the relevant institutions are integrated smoothly into the Eurosystem's minimum reserve system without placing a disproportionate burden on them. While the regular reserve maintenance period runs from 8 December 2010 to 18 January 2011, this Decision provides for a transitional maintenance period from 1 to 18 January 2011 for the imposition of minimum reserve requirements on institutions located in Estonia. Furthermore, the Decision sets out specific rules governing the application of minimum reserve requirements during the transitional period and, in particular, describes the method for calculating the reserve base in relation to the transitional period for liabilities owed to institutions located in Estonia.

2.3 Taking into account Opinion ECB/2010/60, the draft Decree provides legal clarity and secures a smooth transition to the Eurosystem minimum reserves framework from 1 January 2011.

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

Done at Frankfurt am Main, 26 November 2010.

[signed]

The President of the ECB

Jean-Claude TRICHET

5 OJ L 250, 2.10.2003, p. 10.

6 OJ L 15, 20.1.2009, p. 14.

7 OJ L 285, 30.10.2010, p. 7.