EUROPEAN CENTRAL BANK

EUROSYSTEM

OPINION OF THE EUROPEAN CENTRAL BANK

of 21 December 2012

on the reserve requirements for credit institutions

(CON/2012/110)

Introduction and legal basis

On 4 December 2012, the European Central Bank (ECB) received a request from Lietuvos bankas for an opinion on a draft resolution amending the Rules on reserve requirements for credit institutions (hereinafter the 'draft resolution').

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 resolution relates to instruments concerning monetary policy of a non-euro area Member State. 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 resolution

1.1 The draft resolution aims: (a) to amend the formula for calculating the remuneration of credit institutions' holdings of required reserves in order to reflect the current factual situation in the euro area money market, where financial instruments with perceived low credit risk are traded at close to 0 % or even negative yields, and link the remuneration rate to the ECB deposit facility rate rather than the ECB rate for the main refinancing operations, and (b) to reduce the reserve ratio from 4 % to 3 % for the liabilities included in the reserve base. As an exception to the normal reserve ratio, deposits with an agreed maturity period of over two years, deposits redeemable at a notice period of over two years, debt securities issued with an original maturity of over two years and repurchase agreements continue to be subject to a reserve ratio of 0 %.

1.2 The new reserve requirements are to apply from the maintenance period starting on 24 January 2013.

2. Aligning the minimum reserves regime with Eurosystem standards

The ECB notes that, although Member States that have not adopted the euro retain competence in the field of monetary policy, it is nevertheless beneficial for them to achieve consistency with Eurosystem

1 OJ L 189, 3.7.1998, p. 42.

standards so that credit institutions in those Member States can become familiar with the reserve requirements that will apply to them once the euro is introduced. In ECB Opinions CON/2005/8 and CON/2008/66 on the Lithuanian minimum reserves regime[2], the ECB emphasised in particular the need for further alignment of the Lithuanian minimum reserves regime with Eurosystem standards. In particular, the ECB made the point that Lithuanian credit unions should also be subject to reserve requirements[3]. Consequently, it should be noted that the comments that the ECB has made on previous occasions concerning the Lithuanian minimum reserves regime remain valid.

3. Basis for the remuneration

The ECB notes that the holdings of required reserves will be remunerated not by reference to the ECB rate for the main refinancing operations, as stipulated in Article 8 of Regulation (EC) No 1745/2003 of the European Central Bank of 12 September 2003 on the application of minimum reserves (ECB/2003/9)[4], but by reference instead to the ECB deposit facility rate.

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

Done at Frankfurt am Main, 21 December 2012.

[signed]

The President of the ECB

Mario DRAGHI

2 All ECB opinions are available on the ECB's website at www.ecb.europa.eu.

3 See in particular paragraph 14 of Opinion CON/2005/8 in which the ECB stressed that Lithuanian credit unions fall under the definition of a credit institution within the meaning of the Consolidated Banking Directive, and will therefore be subject to the Eurosystem reserve requirements when Lithuania adopts the euro.

4 OJ L 250, 2.10.2003, p. 10.