EUROPEAN CENTRAL BANK

EUROSYSTEM

OPINION OF THE EUROPEAN CENTRAL BANK

of 11 June 2014

on remuneration of minimum reserves

(CON/2014/42)

Introduction and legal basis

On 5 June 2014, 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[1], as the draft resolution relates to the instruments of 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 Under the current rules, the minimum reserves held by credit institutions in Lietuvos bankas are remunerated at the ECB deposit facility rate, and not at the ECB rate for the main refinancing operations.

1.2 Lietuvos bankas wishes to ensure that credit institutions that hold minimum reserves with it are not under an obligation to pay Lietuvos bankas for their holdings in circumstances where a negative deposit facility rate is introduced. Therefore, the main purpose of the draft resolution is to amend the formula for calculating remuneration on minimum reserves held by a credit institution in Lietuvos bankas.

1.3 The draft resolution provides that the reference rate for the calculation of remuneration on minimum reserves shall be either the ECB's deposit facility rate or zero per cent, whichever is higher.

1.4 The formula reflecting the new calculation of remuneration on minimum reserves will first apply in relation to the current Lithuanian minimum reserves maintenance period ending on 23 June 2014.

1 Council Decision 98/415/EC of 29 June 1998 on the consultation of the European Central Bank by national authorities regarding draft legislative provisions (OJ L 189, 3.7.1998, p. 42).

2. General observations

Member States that have not adopted the euro retain their monetary policy powers, including in connection with their minimum reserves frameworks. Nevertheless, it is beneficial for them to achieve consistency with the Eurosystem minimum reserves framework so that their credit institutions become acquainted with the reserves requirements that will apply to them following the adoption of the euro by the Member State where they are established[2].

3. Remuneration of minimum reserves

The ECB noted in an earlier opinion[3] that, under the Lithuanian minimum reserves regime, the holdings of required reserves are remunerated not by reference to the ECB rate for the main refinancing operations, as specified in Article 8 of Regulation (EC) No 1745/2003 (ECB/2003/9) of the European Central Bank[4], but by reference to the ECB deposit facility rate.

The ECB has no comments on the draft resolution.

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

Done at Frankfurt am Main, 11 June 2014.

[signed]

The President of the ECB

Mario DRAGHI

2 See paragraph 2.1 of Opinion CON/2013/79. All ECB opinions are published on the ECB's website at www.ecb.europa.eu.

3 See paragraph 6 of Opinion CON/2013/79.

4 Regulation (EC) No 1745/2003 of the European Central Bank of 12 September 2003 on the application of minimum reserves (ECB/2003/9) (OJ L 250, 2.10.2003, p. 10).