

Press release

7 February 2023

ECB adjusts remuneration of certain non-monetary policy deposits as of 1 May 2023

- New ceiling for remuneration of euro area government deposits to be set at the euro short-term rate (€STR) minus 20 basis points, taking effect on 1 May 2023
- Remuneration of deposits held under the Eurosystem reserve management services (ERMS) framework to be adjusted accordingly
- Measure aims to provide incentives for a gradual and orderly reduction of such deposits held with the Eurosystem, in order to minimise the risk of adverse effects on market functioning and ensure the smooth transmission of monetary policy
- Remuneration regime will be monitored and adjusted if necessary

On 8 September 2022 the Governing Council of the European Central Bank (ECB) decided to [temporarily remove the 0% interest rate ceiling for the remuneration of government deposits held with the Eurosystem](#), setting the ceiling for such remuneration at the deposit facility rate or the €STR, whichever was lower, until 30 April 2023. The Governing Council has now decided to adjust the ceiling for the remuneration of such deposits as of 1 May 2023, in order to provide incentives for a gradual and orderly reduction of those holdings, thereby minimising the risk of adverse effects on market functioning and ensuring the smooth transmission of monetary policy. This decision also alters the remuneration of deposits held under the ERMS framework.

As of 1 May 2023 the ceiling for the remuneration of government deposits will be the €STR minus 20 basis points. This change reflects the fact that, while conditions in the repo market have improved since September 2022, the market remains fragile. There is persistent collateral scarcity in some segments, and banks are still constrained in their ability to intermediate a substantial amount of excess liquidity. Consequently, it is important that these deposits return to the market in a gradual manner in order to minimise the risk of adverse effects on market functioning and the smooth

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transmission of monetary policy. This decision reflects the desire to encourage market intermediation, with the changes to the remuneration regime providing incentives for depositors to gradually phase out their holdings with the Eurosystem. The Governing Council will continue to monitor money market developments and the evolution of these deposit holdings, and it stands ready to make further adjustments to the remuneration regime if necessary.

The remuneration of deposits held under the ERMS framework will also be adjusted accordingly as of 1 May 2023.

All amendments to legal acts reflecting this new remuneration regime for government deposits will be published before the change takes effect on 1 May 2023.

For media queries, please contact [Verena Reith](#), tel.: +49 69 1344 5737.

Notes

¹ The ERMS is a framework governing the terms and conditions under which the Eurosystem offers banking and custody services to central banks, monetary authorities and state institutions located outside the euro area, as well as international organisations.

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