

Press release

27 July 2023

ECB adjusts remuneration of minimum reserves

- Minimum reserves to be remunerated at 0%
- Change preserves the effectiveness and improves the efficiency of monetary policy

The Governing Council of the European Central Bank (ECB) today decided to set the remuneration of minimum reserves at 0%. The change will become effective as of the beginning of the reserve maintenance period starting on 20 September 2023.

Minimum reserves are reserve balances that credit institutions are required to hold with their Eurosystem national central bank on average over a maintenance period. Credit institutions are required to hold a minimum amount equivalent to 1% of specific liabilities, mainly customers' deposits. Minimum reserves are currently remunerated at the ECB's deposit facility rate (DFR).

In the current conditions of ample liquidity, the interest paid on the reserves that banks hold in the ECB's deposit facility – i.e. reserves beyond the minimum required level – is the Governing Council's main instrument for setting the monetary policy stance in its fight against inflation. Today's decision to reduce the remuneration on minimum reserves will preserve the effectiveness of monetary policy by maintaining the current degree of control over the monetary policy stance and ensuring the full pass-through of the Governing Council's interest rate decisions to money markets. At the same time, it will improve the efficiency of monetary policy by reducing the overall amount of interest that needs to be paid on reserves in order to implement the appropriate stance.

In October last year, the Governing Council decided to reduce the remuneration of minimum reserves from the rate on the main refinancing operations (MRO rate) to the DFR.¹ That change aligned minimum reserve remuneration more closely with short-term money market rates. Since then, the efficiency aspect has risen in relevance, in line with the higher level of the key ECB interest rates.

¹ See Regulation (EU) 2022/2419 of the European Central Bank of 6 December 2022 ([link](#)) and the ECB press release "ECB adjusts remuneration of minimum reserves" of 27 October 2022 ([link](#)).

Today's decision does not prejudge the outcome of the ongoing review of the ECB's operational framework.

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Notes

- The ECB has published explanations of [minimum reserves](#) and the [deposit facility rate](#).
- Further information on minimum reserves can be found in Regulation (EU) 2021/378 of the European Central Bank of 22 January 2021 on the application of minimum reserve requirements ([ECB/2021/1](#)), (OJ L 73, 3.3.2021, p. 1–15).