



E U R O P E A N C E N T R A L B A N K

OPINION OF THE EUROPEAN CENTRAL BANK

at the request of the Banque de France under Articles 109l (2) and 109f (6) of the Treaty establishing the European Community (hereinafter referred to as the “Treaty”) and Article 5.3 of the Statute of the European Monetary Institute (hereinafter referred to as the “EMI”) on a draft Decision of the Council for Monetary Policy of the Banque de France, completed by an Instruction of the Banque de France, amending the regime of minimum reserves in Metropolitan France for the period starting on 16 October 1998 and ending on 31 December 1998.

CON/98/43

1. On 8 September 1998 the European Central Bank (hereinafter referred to as the “ECB”) received a request from the Banque de France for an opinion on a draft Decision (hereinafter referred to as the “Decision”) of the Council for Monetary Policy of the Banque de France, completed by an Instruction (hereinafter referred to as the “Instruction”) of the Banque de France, amending the regime of minimum reserves in Metropolitan France for the period starting on 16 October 1998 and ending on 31 December 1998 .
2. In accordance with Article 109l (2) of the Treaty, the ECB has taken over the advisory functions of the EMI, which went into liquidation upon the establishment of the ECB on 1 June 1998. The ECB’s competence to deliver an opinion is based on Article 1.1, second indent, of the Council Decision (93/717/EC) of 22 November 1993 on the consultation of the EMI by the authorities of the Member States on draft legislative provisions, as the Decision and Instruction contain rules on monetary policy instruments. In accordance with Articles 12.4 and 47.1, second indent, of the Statute of the European System of Central Banks and of the European Central Bank (hereinafter referred to as the “Statute”), this Opinion has been adopted by the Governing Council of the ECB with the contribution of the General Council of the ECB.
3. The aim of the Decision is to prepare the system of minimum reserves in Metropolitan France for the situation in 1999, when minimum reserves will be imposed by the ECB. To that end and taking account of the Recommendation of the ECB of 7 July 1998 for a Council Regulation concerning the application of minimum reserves by the ECB, the Decision introduces the following amendments:

- Institutions subject to reserve requirements: Institutions with total liabilities not exceeding 500,000,000 FF will lose their exemption from reserve requirements after 15 November 1998. In addition, an allowance of 1,000,000 FF to be deducted from the amount of the reserve requirement shall be granted to each institution;
- Reserve basis and amount: The reserve basis is extended in accordance with the specifications set forth in the General Documentation. By way of transition: 1) liabilities vis-à-vis correspondents outside the euro area are excluded from the reserve basis for technical reasons, and 2) all outstanding debt securities, including those held by other credit institutions subject to reserve requirements, with initial maturity of less than two years, are taken into account for the application of the 2% reserve ratio;
- Maintenance periods: Two maintenance periods are defined for the end of 1998: 1) from 16 October till 15 November, and 2) from 16 November till 31 December;
- Reserve ratio and calculation of reserve requirements: The Council for Monetary Policy of the Banque de France decided to set a reserve ratio of 2% applicable to all liabilities included in the reserve basis and a reserve ratio of 0% applicable to repurchase agreements, deposits with agreed maturity over two years and debt securities with agreed maturity over two years. Reserves will be remunerated at a level which is the average of the 7 day fixed rate tender offers by the Banque de France for the relevant maintenance period. Such remuneration will be paid within a period of maximum two days following the last day of the maintenance period.
- Sanctions: In case of non-compliance with minimum reserve requirements the Banque de France will levy a penalty interest fixed at 3% above the rate set by the Banque de France for repurchase agreements between 5 and 10 days. A higher penalty interest, with a maximum of 0,1% per day, may be used to sanction serious or repeated offences as well as deceptive declarations.

The ECB understands that in Stage Three of Monetary Union the minimum reserves regime of the Banque de France will cease to extend to credit institutions established in Monaco.

The ECB notes that Article 3 of the Instruction maintains a penalty for late data submission which is set at 10% above the reserve requirement applicable on the basis of the last available data. This rule appears less strict than the sanctions regime for infringement of reporting obligations that will be introduced in Stage Three.

With respect to Annex 3 to the Instruction, the ECB deems it advisable to clarify that excess reserves will not be remunerated.

4. The ECB welcomes the proposal, which is aimed at facilitating the changeover to the new regime for minimum reserves that will apply as from 1 January 1999.
5. The ECB confirms that it has no objection to this Opinion being made public by the competent French authorities at their discretion.

Done at Frankfurt am Main on 23 September 1998

The Vice-President of the ECB

[signed]

C. Noyer