

EUROPEAN MONETARY INSTITUTE

OPINION OF THE EUROPEAN MONETARY INSTITUTE ON DRAFT RULES CONCERNING THE MINIMUM RESERVE REQUIREMENTS REGIME APPLIED BY THE BANCO DE PORTUGAL (CON/94/5)

- 1 With a view to Article 109f(6) of the Treaty on European Union, Article 5.3 of the EMI's Statute and Council Decision 93/71/EC of 22 November 1993, on 27 July 1994 the Banco de Portugal submitted to the EMI for consultation draft rules on the minimum reserve requirements applied by the Banco de Portugal. In doing so, the Banco de Portugal acted in its own name, as the adoption of such rules has been delegated to the Portuguese central bank. On the basis of Article 4 of Council Decision 93/71/EC, the Banco de Portugal requested the EMI to deliver its opinion at the latest by the end of September 1994.
- 2 The main purpose of the change of the regime is to lower reserve requirements in order to converge to European Union standards and at the same time to contribute to the competitiveness of the Portuguese financial system. As the lowering of reserve requirements would increase liquidity, the Banco de Portugal, in order to mop up excess liquidity, envisages obliging institutions subject to reserve requirements to hold certificates of deposit issued by the central bank. These certificates would be tradeable among the institutions subject to reserve requirements as well as between them and the Banco de Portugal.
- 3 The competence of the EMI to deliver an opinion in this consultation is based on Article 1, second indent, of Council Decision 93/71/EC (draft legislative provisions on instruments of monetary policy). The rules which the Banco de Portugal intends to adopt are regarded as draft legislation within the meaning of Article 2, paragraph 1, of Council Decision 93/71/EC as the addressees of the rules are in principle an indefinite number of banks.
- 4 With regard to the substance of this consultation, all features of the envisaged changes to the system of reserve requirements in Portugal appear to be in compliance with the Treaty. The EMI is of the opinion that adjusting the system of compulsory reserves in Portugal constitutes a useful step to bring minimum reserve standards in Portugal into line with those currently existing in many other European countries. At the same time, the EMI regards it as premature to formulate a view on whether the envisaged rules will be adequately compatible with the future system of the ESCB, as discussions concerning the desirable features of this system have not yet been completed.

21 September 1994