Article 7(1) of Council Regulation (EC) No 2531/98 of 23 November 1998 concerning the application of minimum reserves by the European Central Bank states that, inter alia, where an institution fails to hold all or part of the minimum reserves imposed in accordance with that Regulation and ECB Regulations or Decisions associated therewith, certain sanctions may be imposed by the European Central Bank (ECB).

In order to ensure transparency as regards the sanctions policy of the ECB in the field of minimum reserves, the ECB has decided to make public the following elements of the sanctions policy that it will apply until further notice:

1. **Amount of the sanction imposed by the European Central Bank in the event of a breach of the obligation to hold minimum reserves**

In the event of a breach of the obligation to hold the required level of minimum reserves, in accordance with Council Regulations or Regulations or Decisions of the ECB associated therewith, a sanction will be imposed which shall be calculated as a penalty of 2.5 percentage points above the average, taken over the maintenance period in which the breach occurred, of the marginal lending rate of the European System of Central Banks, applied to the daily average amount of minimum reserves the institution concerned failed to provide.

The penalty will be calculated using the following formula:

\[ P_t = \left( D_t \cdot n_t \cdot \frac{\sum_{i=1}^{n_t} MLR_i + 2.5}{n_t \cdot 100} \right) \frac{360}{n_t} \]

Where:

- \( P_t \) = penalty to be paid owing to the lack of the required reserves for the maintenance period \( t \)
- \( D_t \) = the amount of required lacking for the maintenance period \( t \) (as a daily average)
- \( n_t \) = number of calendar days in the maintenance period \( t \)
- \( i \) = the calendar day of the maintenance period \( t \)
- \( MLR_i \) = the marginal lending rate on day \( i \)

2. **Repetitive breaches of the minimum reserve requirements**

Should an institution subject to the minimum reserve requirements breach its obligation to hold the required level of minimum reserves more than twice during any 12-month period, it shall be deemed to have committed a repetitive breach.

For each repetitive breach a sanction will be imposed, which shall be calculated in accordance with the formula mentioned under 1 above, as a penalty of five percentage points above the average, taken over the maintenance period in which the repetitive breach occurred, of the marginal lending rate of the European System of Central Banks, applied to the daily average amount of minimum reserves the institution concerned failed to provide.