

**DECISION OF THE EUROPEAN CENTRAL BANK****of 20 February 2014****on the prohibition of monetary financing and the remuneration of government deposits by national central banks****(ECB/2014/8)**

(2014/303/EU)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union, and in particular of the second indent of Article 132(1) thereof,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank, and in particular the second indent of Article 34.1 thereof,

Whereas:

- (1) Pursuant to Article 271(d) of the Treaty on the Functioning of the European Union, and Article 35.6 of the Statute of the European System of Central Banks and the European Central Bank, in conjunction with the ninth recital of Council Regulation (EC) No 3603/93 <sup>(1)</sup>, the Governing Council is mandated to assess compliance by national central banks (NCBs) with their obligations under the Treaties. To that effect the Governing Council monitors compliance of NCBs with the prohibition on monetary financing as laid down in Article 123 of the Treaty on the Functioning of the European Union. This Decision aims to clarify the criteria that the European Central Bank (ECB) will apply regarding the remuneration of deposits held by governments and public authorities with their central bank in relation to the Treaty prohibition of monetary financing, for the purposes of the above-mentioned Governing Council's monitoring role.
- (2) To monitor compliance with the monetary financing prohibition laid down in Article 123 of the Treaty on the Functioning of the European Union, the ECB will take into account the remuneration of government deposits, which should not be higher than a remuneration based on the relevant money market rates. This Decision specifies the market rates that will operate as ceilings for the remuneration of government deposits and that will be taken into account in monitoring compliance with the Treaty from 1 December 2014,

HAS ADOPTED THIS DECISION:

*Article 1***Definitions**

For the purposes of this Decision:

- (a) 'government' means all public entities mentioned in Article 123 of the Treaty, as interpreted in the light of Regulation (EC) No 3603/93, except for publicly-owned credit institutions which, in the context of the supply of reserves by NCBs, are given the same treatment by NCBs and the ECB as private credit institutions;
- (b) 'government deposits' means overnight and fixed-term deposits accepted by NCBs from any government;

<sup>(1)</sup> Council Regulation (EC) No 3603/93 of 13 December 1993 specifying definitions for the application of the prohibitions referred to in Articles 104 and 104b (1) of the Treaty (OJ L 332, 31.12.1993, p. 1).

- (c) 'unsecured overnight market rate' means: (i) with regard to overnight deposits in euro, the euro overnight index average rate (EONIA); and (ii) with regard to overnight deposits in a different currency, a comparable rate;
- (d) 'secured market rate' means: (i) with regard to fixed term deposits in euro, the euro repo market offered rate (EUREPO) with comparable maturity if available; and (ii) with regard to fixed term deposits in a different currency, a comparable rate.

*Article 2*

**Remuneration of government deposits and compliance with the prohibition on monetary financing**

1. For the purposes of monitoring compliance with the prohibition on monetary financing, the following ceilings on the remuneration of government deposits with NCBs shall apply:
  - (a) for overnight deposits, the unsecured overnight market rate;
  - (b) for fixed-term deposits, the secured market rate or, if unavailable, the unsecured overnight market rate.
2. Compliance with the ceilings referred to in paragraph 1 shall be assessed in the light of all relevant facts specific to each individual case.

*Article 3*

**Entry into force**

1. The provisions of this Decision shall be applied by the ECB from 1 December 2014.
2. This Decision shall enter into force on 22 February 2014.

Done at Frankfurt am Main, 20 February 2014.

*The President of the ECB*  
Mario DRAGHI

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