

Réf.: ST.16-0827

Luxembourg, 10 October 2016

Circular letter

To all credit institutions

In case of discrepancies between the French and the English text,
the French text shall prevail

Concerns: *Revision of the standardised deduction from the reserve base and amendment of the Regulation on the application of minimum reserves*

Dear Madam, Sir,

This is to inform all reporting institutions that, following the decisions of the Governing Council of the European Central Bank (ECB) published on September 23 2016, several modifications have been made to the standardised deduction from the reserve base to be applied to liabilities with a maturity of up to two years within the debt securities category.

It should be recalled that the following liabilities are excluded from the reserve base: (i) liabilities owed to any other institution not included on the list of institutions exempt from the ECB's minimum reserve requirements in accordance with Article 2(3) of Regulation ECB/2003/9 as amended; and (ii) liabilities owed to the ECB or to a participating national central bank (NCB).

With regard to "debt securities issued" included in the reserve base, the above-mentioned exclusion shall be effected by deducting an amount from the reserve base in the following manner: (i) the institution shall provide evidence to the relevant participating NCB of the amount of liabilities to be deducted, and the amount evidenced shall be deducted from the reserve base; (ii) where the institution is unable to provide such evidence to the relevant participating NCB, the institution shall apply the standard deduction published on the ECB's website to the outstanding amount of the debt securities which it has issued and which have an original maturity of up to and including two years.

On 21 July 2016 the Governing Council decided, after a review of newly available statistical evidence, to lower, from 30% to 15%, the standardised deduction from the reserve base to be applied to liabilities with a maturity of up to two years within the debt securities category, as further specified in Regulation (EC) No 1745/2003 (ECB/2003/9) on the application of minimum reserves. This decision shall take effect as of the maintenance period starting on 14 December 2016.

On 9 September 2016 the Governing Council adopted Regulation ECB/2016/26 amending Regulation (EC) No 1745/2003 (ECB/2003/9) on the application of minimum reserves. The amending Regulation further clarifies the method used to apply the standard deduction for the exclusion of interbank liabilities from the reserve base. Regulation ECB/2016/26 will enter into force on 14 December 2016. It was published in the Official Journal of the European Union and is available on the ECB's website in all official languages of the Union.

The reporting instructions of the Banque centrale du Luxembourg have been modified in order to reflect these changes and can be downloaded under the following link:

http://www.bcl.lu/en/Regulatory-reporting/Etablissements_credit/Statistiques-bancaires-et-monetaires/Instructions/index.html

Reporting agents are kindly requested to apply all necessary changes to the statistical report S 1.1, serving for the calculation of the minimum reserve requirement, as of reference period October 2016.

Sincerely Yours,

BANQUE CENTRALE DU LUXEMBOURG

Roland WEBER

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