

Press release

8 September 2022

ECB temporarily removes 0% interest rate ceiling for remuneration of government deposits

- Ceiling for remuneration of government deposits to remain at deposit facility rate (DFR) or euro short-term rate (€STR), whichever is lower, until 30 April 2023
- Measure aims to preserve effectiveness of monetary policy transmission and safeguard orderly market functioning

To preserve the effectiveness of monetary policy transmission and safeguard orderly market functioning, the Governing Council of the European Central Bank (ECB) today decided to temporarily remove the 0% interest rate ceiling for remunerating government deposits. Instead, the ceiling will temporarily remain at the lower of either the Eurosystem's deposit facility rate (DFR) or the euro short-term rate (€STR), also under a positive DFR. The measure is intended to remain in effect until 30 April 2023. This change will prevent an abrupt outflow of deposits into the market, at a time when some segments of the euro area repo markets are showing signs of collateral scarcity, and will allow for an in-depth assessment of how money markets are adjusting to the return to positive interest rates.

As it currently stands, the relevant legal framework provides that, if the DFR is negative, government deposits are remunerated up to the DFR or the €STR, whichever is lower. It also foresees a remuneration ceiling of 0% if the DFR is 0% or higher. However, market and liquidity conditions have changed since this ceiling was put in place and a temporary adjustment of the remuneration arrangements, in a context of normalisation of monetary policy, is warranted. The new temporary change to the remuneration does not alter the long-term desirability of encouraging market intermediation, and the ECB calls on relevant depositors to plan for alternative arrangements to central bank deposits.

Government deposits are non-monetary policy deposits accepted by the Eurosystem from any public entities of an EU Member State or any public entities of the European Union, except for publicly owned credit institutions, as laid down in [Guideline ECB/2019/7](#)¹ and [Decision ECB/2019/31](#)².

The revised remuneration will apply as of the start of the sixth maintenance period, i.e. on 14 September 2022, will remain in place until 30 April 2023 and will be reflected in an ECB decision to be published on the ECB's website and in the Official Journal of the European Union.

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¹ Guideline (EU) 2019/671 of the European Central Bank of 9 April 2019 on domestic asset and liability management operations by the national central banks (ECB/2019/7), (OJ L 113, 29.4.2019, p. 11).

² Decision (EU) 2019/1743 of the European Central Bank of 15 October 2019 on the remuneration of holdings of excess reserves and of certain deposits (ECB/2019/31), (OJ L 267, 21.10.2019, p.12).

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