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European Central Bank
President Christine Lagarde
60640 Frankfurt am Main

## Remuneration of Minimum Reserves

09.07.2026

Dear President Lagarde,

As the citizens' movement Finanzwende, we welcome the renewed discussion on increasing the minimum reserve ratio. As early as October 2023 and February 2025, we argued that the gifts to banks when the monetary policy stance had been very accommodative (TLTROs, tiering of the deposit facility, and the remuneration of minimum reserves above the policy rate) call for the ECB to recover these transfers. There is no monetary policy rationale for a one-sided policy design that subsidises banks at the expense of central bank profits and, ultimately, taxpayers. We therefore welcomed the ECB's decision to stop remunerating minimum reserves, thereby achieving the same monetary policy stance more efficiently.

However, higher interest rates will once again put pressure on the ECB's financial position. This is not an unavoidable consequence of monetary policy, but rather the result of past asset purchase programmes combined with the remuneration of the deposit facility. As ECB and CEPR authors recently noted at the Macroprudential Conference in Dublin[1], the ECB's current losses are the result of a quantitative easing induced insurance effect against interest rate increases. Through its asset purchases at the effective lower bound, the ECB created variable-rate central bank reserves. As a result, banks' earnings now improve during periods of monetary tightening, whereas in previous interest rate cycles their profitability would have deteriorated. As a consequence, banks across Europe are currently reporting record profits.

Against this backdrop of ECB-enabled record profits, banks' objections to restoring the minimum reserve ratio to two per cent lack credibility. Even at that level, the ECB would remain well below the unremunerated minimum reserve requirements of three per cent at the Monetary Authority of Singapore, four per cent at the Swiss National Bank, and six per cent at the Bank of Israel. **Rather than giving in to the banks' transparent lobbying efforts, the ECB should build on the work of its own staff and further improve the efficiency of monetary policy transmission by raising the minimum reserve ratio.**

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[1] „Central Bank Losses as Private Sector Insurance", 10th-annual-macroprudential-conference-dublin-2026-agenda.pdf

The banks' complaints appear even less convincing when viewed alongside the very limited pass-through of higher interest rates to retail depositors. In May 2026, the average interest rate on overnight deposits held by households stood at just 0.27 per cent[2], while banks earned more than seven times as much on their reserves at the ECB. Looking ahead, the ECB should therefore consider how it can strengthen the transmission of policy rates to deposit rates.

Here, too, the minimum reserve requirement could provide an effective policy instrument. The ECB could apply the maximum reserve ratio of ten per cent to deposits on which banks pay no interest, or only negligible interest, to their customers. This would create a strong incentive for banks to pass higher interest rates on to depositors. We therefore propose not only an immediate increase in the general minimum reserve ratio to two per cent, but also a second step: **introducing a ten per cent minimum reserve requirement for deposits where interest rate pass-through is insufficient.**[3] The reporting changes required for such a framework could be incorporated into the ECB's ongoing implementation of the Integrated Reporting Framework.

Yours sincerely,
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2 [MIR.M.U2.B.L21.A.R.A.2250.EUR.N | ECB Data Portal]
3 One possible approach would be to apply this to overnight deposits whose interest rate is 100 basis points or more below the ECB's deposit facility rate.