



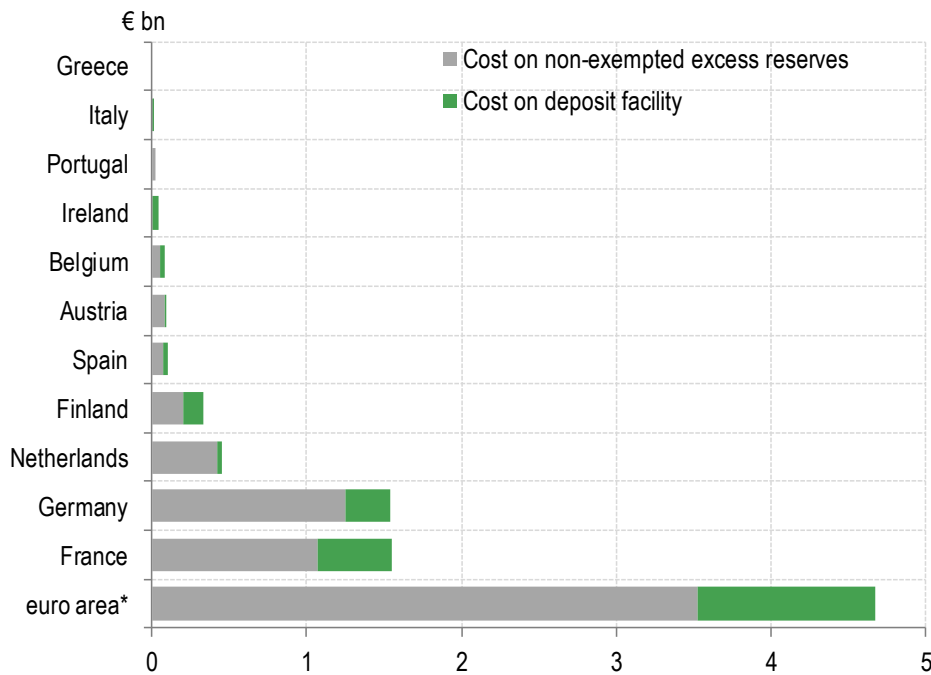
Despite tiering, the rate of the deposit facility still costs French banks EUR 1.5 billion

Tiering partially exempts excess reserves of the euro area banks from the negative deposit facility rate (-0.5%). It applies within the limit of an amount equal to six times their minimum reserves. Banks whose excess reserves do not exceed this multiple may, in addition, convert all or part of their deposit facility into excess reserves. The amount of the deposit facility of the 19 banking systems in the euro zone decreased by 59% between September and December 2019, falling back to its spring 2016 level.

We estimate that tiering reduces the cost of negative interests by EUR 4.0 bn in the euro area and EUR 825 m in France¹. The annual cost of negative interest amounts to EUR 4.7 bn for the euro area banks, including EUR 3.5 bn attributable only to excess reserves and EUR 1.1 bn to the deposit facility. While it offers a relevant vision of the hierarchy of costs between banking systems, our calculation provides only an immediate view, taking into account only direct costs. Taking into account each one's net interbank position, most often of the same sign as the balance of transactions with the Eurosystem, tends to amplify the results obtained.

¹ Estimates based on the ECB database at the end of December 2019 (excess reserves and deposit facility at the euro area level, current accounts and deposit facility by country) and of national central banks data at the end of October (minimum reserves by country). For certain countries (Netherlands, Ireland, Portugal, Greece), reserve requirements are estimated from stocks of demand deposits, time deposits of less than two years and deposits repayable at maturity of non-financial private agents with MFIs, as well as deposits from non-residents and debt securities less than two years old. For each banking system, excess reserves at the end of December are extrapolated by assuming the amount of compulsory reserves unchanged since October.

Estimated annual cost of negative interest for the main banking systems in the euro area



*Sum of its 19 member states

Source: ECB, National central banks