



EUROPEAN CENTRAL BANK

EUROSYSTEM

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ECB-PUBLIC

OPINION OF THE EUROPEAN CENTRAL BANK

of 7 June 2018

on a modification of the remuneration formula of the French *livret A* and certain other French regulated savings accounts

(CON/2018/28)

Introduction and legal basis

On 7 May 2018 the European Central Bank (ECB) received a request from the French Ministry of Economy and Finance for an opinion on a draft regulatory provision (hereinafter the 'draft amendment') amending the remuneration formula in respect of the *livret A*, as well as the *comptes spéciaux sur livret du crédit mutuel*, the *livret d'épargne populaire*, the *livret d'épargne-entreprise* and the *compte d'épargne-logement* (together the 'related savings accounts'). Each of the related savings accounts is a type of French regulated savings account which has a remuneration rate linked to that of the *livret A*.

The ECB's competence to deliver an opinion is based on Articles 127(4) and 282(5) of the Treaty on the Functioning of the European Union and the third and sixth indents of Article 2(1) of Council Decision 98/415/EC¹: as the draft amendment relates to: (a) the basic task of the European System of Central Banks (ESCB) of implementing the monetary policy of the Union pursuant to the first indent of Article 127(2) of the Treaty; (b) the Banque de France; and (c) the rules applicable to financial institutions insofar as they materially influence the stability of financial institutions and markets. In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion.

1. Purpose of the draft amendment

- 1.1 The purpose of the draft amendment is to modify the calculation formula for setting the annual remuneration rate of the *livret A* and the related savings accounts.
- 1.2 The current formula, which was set in November 2016, is disappplied for the period from 1 February 2018 to 31 January 2020. Under this formula the remuneration rate of the *livret A* was the higher of: (a) the French inflation rate, measured as the six-month average of the percentage change in the INSEE consumer price index over the latest available 12 months, and the six-month average EONIA rate, combined and then divided by two; or (b) the inflation rate mentioned under (a) increased by 0.25%, except in situations where the difference between the money market rate and the inflation rate mentioned under (a) is more than 0.25%. Until 31 January 2020, the rate is frozen at 0.75 %.

¹ Council Decision 98/415/EC of 29 June 1998 on the consultation of the European Central Bank by national authorities regarding draft legislative provisions (OJ L 189, 3.7.1998, p. 42).

- 1.3 The main purpose of the draft amendment is to set from 1 February 2020 the remuneration rate of the *livret A* to the higher of: (a) the French inflation rate, measured as the six-month average of the percentage change in the INSEE consumer price index over the latest available 12 months, and the six-month average EONIA rate, combined and then divided by two; or (b) 0.5%. The draft amendment also reduces the rounding of the calculation formula result to the number that is one-tenth of a percentage point nearest or immediately higher (as against one-quarter of a percentage point previously). Finally, from 1 February 2020, the draft amendment temporarily sets the maximum change in the remuneration rate between two successive calculation periods to 0.5 percentage point until the calculation formula gives two successive results with a difference of less than 0.5%.
- 1.4 As noted in the consultation request, the French authorities intend to implement the abovementioned modification in order to reduce the divergence between money market rates and the remuneration rate of the *livret A* and related savings accounts (which the previous inflation floor in the remuneration formula did not allow).

2. General observations

- 2.1 The ECB reiterates that it is generally not in favour of regulating savings remuneration, as this derogates from the principle of an open market economy with free competition, and presents challenges for the efficient transmission of monetary policy and, to a certain extent, for financial stability². The discrepancy between money market rates and the regulated rates may generate liquidity costs for banks, thus potentially impeding their financial intermediation role and the stability of the banking system.
- 2.2 The draft amendment maintains a regulated level of remuneration for the *livret A* and the related French savings accounts. The replacement of the inflation-linked floor by an ex ante 0.5% arbitrary floor will in certain circumstances contribute to reducing the divergence between money market rates and the remuneration rates. It however does not remove the concern that the remuneration of these savings accounts may diverge markedly from money market rates and thereby continues to raise concerns as regards the efficiency of monetary policy transmission.
- 2.3 In line with its earlier opinion on this subject matter³, the ECB reiterates its reservations as regards the tasks that have been historically exercised by the Banque de France and its Governor regarding the *livret A* and related savings accounts, which are not modified by the draft amendment and which would therefore resume on 1 February 2020.
- 2.4 Finally, regarding the temporary corridor of 0.5 percentage point within which the remuneration rate may fluctuate between two successive calculation periods, the ECB understands that once this temporary corridor expires upon there being a differential of less than 0.5%, the corridor of plus or minus 1.5% established under the current disapplied formula would be restored.

² See paragraph 2.2 of Opinion CON/2016/51.

³ See paragraph 2.5 of Opinion CON/2016/51.

This opinion will be published on the ECB's website following its adoption and in any case no later than six months following its adoption.

Done at Frankfurt am Main, 7 June 2018.

[signed]

The President of the ECB

Mario DRAGHI