



EUROPEAN CENTRAL BANK

EUROSYSTEM

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ECB-PUBLIC

OPINION OF THE EUROPEAN CENTRAL BANK

of 6 November 2017

on a temporary freeze of the remuneration rate in respect of the French *livret A* and certain other French regulated savings accounts

(CON/2017/45)

Introduction and legal basis

On 13 October 2017 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') freezing the remuneration rate of the *livret A*, the *comptes spéciaux sur livret du crédit mutuel*, the *livret d'épargne populaire*, the *livret d'épargne-entreprise*, the *compte d'épargne-logement* (together the 'related savings accounts'). Each of them 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 set, from 1 February 2018 to 31 January 2020, a fixed remuneration rate for the *livret A* and related savings accounts. In particular, these rates would be fixed at 0.75 % for the *livret A*, at 0.75 % for the *comptes spéciaux sur livret du credit mutuel*, at 1.25 % for the *livret d'épargne populaire*, and at 0.50 % for each of the *livret d'épargne entreprise* and the *compte épargne logement* respectively. As a consequence, the remuneration formula on which the ECB rendered Opinion CON/2016/51² would not be applied during this period. Similarly, the Banque de France and its Governor's role in making the calculations, proposing ad hoc revisions and requesting derogations from applying the rates would be temporarily suspended as regards these accounts.

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).

² All ECB opinions are published on the ECB's website at www.ecb.europa.eu.

1.2 As noted in the consultation request, the French authorities intend to implement the above-mentioned temporary freeze of the applicable remuneration rates in order to reduce the divergence between money market rates and the remuneration rate of the *livret A* and related savings accounts (which the current inflation floor in the remuneration formula does not allow). Ultimately this would ensure a better monetary policy transmission. Such temporary freeze would be followed by a further amendment of the remuneration formula of the *livret A* and of the related savings accounts in order to better align its remuneration rate with prevailing money market rates.

2. General observations

2.1 The ECB understands that the remuneration of the above-mentioned regulated savings accounts would be fixed at the respective currently applicable rates.

2.2 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, presents challenges for the efficient transmission of monetary policy and, to a certain extent, for financial stability³. The discrepancy between money market rates and the regulated rates may generate significant costs for banks, thus potentially impeding their financial intermediation role and the stability of the banking system.

2.3 The draft amendment maintains a regulated fixed level of remuneration for a number of French savings accounts. The fixed nature of such remuneration for a period of two years cannot ensure a remuneration of these savings accounts in line with money market interest rates. The ECB nevertheless understands that the application of the current formula – which the draft amendment is suspending – would lead to even greater discrepancies with money market rates than those resulting from fixing current rates. The ECB therefore encourages the French authorities to revise the remuneration formula, which should lead to a better alignment with money market rates, and on which it expects to be consulted in due course.

2.4 Finally, in line with its previous opinion on the subject matter⁴, the ECB also welcomes the fact that the draft amendment temporarily suspends the tasks that have been historically exercised by the Banque de France and its Governor regarding the *livret A* and related savings accounts.

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, 6 November 2017.

[signed]

The President of the ECB

Mario DRAGHI

³ See paragraph 2.2 of Opinion CON/2016/51.

⁴ See paragraph 2.5 of Opinion CON/2016/51.