



EUROPEAN CENTRAL BANK

EUROSYSTEM

Mario DRAGHI

President

Mr Brian Hayes
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 30 September 2014

L/MD/14/390

Re: Your letter

Dear Mr Hayes,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 11 September 2014.

Regarding your question on the practice of including data on renegotiations of existing loans in the statistics on interest rates applied to new business by monetary financial institutions (MFIs), I would like to confirm that this practice is fully in line with Regulation ECB/2009/7.¹

Annex II, Part 2, paragraph 21 of Regulation ECB/2009/7 provides that “New business is defined as any new agreement between the household or non-financial corporation and the reporting agent. New agreements comprise: all financial contracts, that specify for the first time the interest rate of the deposit or loan, and all new negotiations of existing deposits and loans.” Regarding the particular case of restructured mortgages (including restructured tracker mortgages) in these statistics, Annex II, Part 2, paragraph 16 of the same Regulation clarifies that loans for debt restructuring are usually included in the ECB’s interest rate statistics, and are only excluded in cases where the newly agreed rate is below market conditions.

¹ Regulation (EC) No 290/2009 of the European Central Bank of 31 March 2009 amending Regulation (EC) No 63/2002 (ECB/2001/18) concerning statistics on interest rates applied by monetary financial institutions to deposits and loans vis-à-vis households and non-financial corporations (ECB/2009/7) OJ L 094, 8.4.2009, p.75.

This is further clarified in Annex I, Part 2, paragraph 23 of Regulation ECB/2013/34,² which will replace Regulation ECB/2009/7 from 1 January 2015, and which stipulates that: “Loans for debt restructuring are not per se excluded from renegotiated loans. However, if the restructuring involves a renegotiation of the interest rate, and as a result, the loan is granted at a rate below market conditions as described in paragraph 28, it should not be included in renegotiated loans nor new business.” Paragraph 21 of the same Regulation also clarifies the definition of renegotiation³ as “the active involvement of the household or non-financial corporation in adjusting the terms and conditions of an existing deposit or loan contract, including the interest rate.” This implies that cases where the terms and conditions of the loan (for instance the maturity) change are recorded as renegotiations. Therefore they are included in the statistics on MFI interest rates on new business loans.

It is worth noting that these statistics aim to capture the interest rates effectively applied by monetary financial institutions and may differ from commercial banks’ advertised rates.

Yours sincerely,

[signed]

Mario Draghi

² Regulation (EU) no 1072/2013 of the ECB of 24 September 2013 concerning statistics on interest rates applied by monetary financial institutions (recast) (ECB/2013/34), OJ L 297, 7.11.2013, p. 51.

³ Ibid. Annex I, Part 2, paragraph 21