Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Monthly Interest Rate Return (IRM)

Notes on Compilation

Version 1.2

1 March 2012

For further information:

Email: mpsenquiries@centralbank.ie

Website: www.centralbank.ie

Contents

Version	Date	Comment
V1.1	1 February 2012	Original document
V1.2	1 March 2012	Updated guidance on reporting of revolving loans

1. Introduction

These notes on compilation set out the statistical reporting requirements for credit institutions reporting the Monthly Interest Rate Return (IRM) to the Central Bank of Ireland and are designed to help reporting agents complete the return. The primary aim of the data collected in this return is to inform national and euro-area policy making. The IRM return satisfies reporting requirements as laid down in *Regulation (EC) No 63/2002 of the ECB of 20 December 2001*[1] concerning statistics on interest rates applied by monetary financial institutions (MFIs) to deposits and loans vis-à-vis households and non-financial corporations, and its subsequent amendments as laid down in *Regulation (EC) No 290/2009 of 31 March 2009*[2].

Whilst the requirements and rules underpinning this document are fixed, the document can be updated and refined as required, including taking on board views of reporting agents. Comments on the document are welcomed, and can be sent to mpsenquiries@centralbank.ie.

Reporting institutions should complete the IRM in respect of resident offices only, as defined in Section 1.1 of the Notes on Compilation for the Resident Offices Return (RS1)[3]. MFI interest rate statistics cover those interest rates that are applied by resident credit institutions to euro-denominated deposits and loans vis-à-vis households and non-financial corporations (NFCs) resident in the euro area. Non-profit institutions serving households (NPISHs) are indistinguishably included in the household sector.

Households are defined as individuals or groups of individuals acting as (i) consumers; (ii) producers of goods and non-financial services exclusively intended for their own final consumption; and (iii) small-scale market producers (such as sole proprietorships and partnerships without independent legal status, usually drawing on their own labour and financial resources).

Non-profit institutions serving households (NPISHs) are defined as separate legal institutional units which are principally engaged in serving particular groups of households and the main resources of which derive from occasional sales, voluntary contributions, occasional financing by general government and property income.

Non-financial corporations (NFCs) are all private and public institutional units which are not classified as financial corporations but rather in the production of goods and non-financial services with the object of generating profit.

1.1 Reporting Deadline

The reporting deadline for the IRM return is the close of business on the 12th working day after the last working day of the reference period (T+12). Working days exclude weekends and Irish public holidays. A schedule of reporting deadlines for returns is available in the Statistics Section of the Central Bank's website: http://www.centralbank.ie/polstats/stats/reporting/Pages/Dates.aspx.

[1] http://www.ecb.int/ecb/legal/pdf/l_1020020112en00240046.pdf
[2] http://www.ecb.int/ecb/legal/pdf/l_09420090408en00750096.pdf
[3] Compilation notes for the RS1 return are available to download at the following link: http://www.centralbank.ie/polstats/stats/reporting/Pages/cireturns.aspx

1.2 Method of Reporting

The IRM return must be submitted via the Central Bank of Ireland's Online Reporting System. Credit institutions may supply the data by manually inputting data into the Online Reporting System or uploading the data to the system in an XML format. Details on transmitting the return via the Online Reporting System, and specifications for uploading data to the system, may be found in separate documents which are available on the Statistics section of the Central Bank's website: http://www.centralbank.ie/polstats/stats/reporting/Pages/cireturns.aspx.

1.3 Counterpart Residency

For the MFI interest rate statistics (also known as MIR statistics), the interest rates and volumes should refer to euro-denominated deposits and loans vis-à-vis household and NFC customers resident in the euro area. No distinction is required between domestic residents and residents of the other euro area member states. For example, the Central Bank of Ireland shall collect interest rate data referring to the banking business of the credit institutions resident in Ireland vis-à-vis customers resident in the whole euro area, i.e., residents of the Republic of Ireland and of other euro area countries. The banking business of customers resident outside the euro area should be excluded.

- A person is considered to be an Irish resident if he/she is currently living in the Republic of Ireland (the State) and has been so for at least one year. A person who is newly arrived in the State is considered to be an Irish resident if he/she intends to live in the Republic of Ireland for an indefinite period, or for a period of not less than one year. The same applies to euro area residents. A list of the member states of the Economic and Monetary Union can be viewed at http://www.ecb.int/euro/intro/html/map.en.html.
- Any business operating in the State is regarded as Irish resident irrespective of whether it is owned or controlled by Irish residents or by non-residents. The same applies to any business operations in the euro area.

Note: For each instrument category that exists in the banking business of credit institutions with euro area households and NFCs, the interest rate should be compiled based on *all* interest rates applied to *all* the products that fit this category. For example, if an instrument category comprises three products, the reporting agent is required to report one interest rate for that instrument category, computed as a weighted average of the interest rates applied to the three products. In addition, the total amount of business for the category has to be submitted, i.e., the sum of the three products in this instance.

Interest rate data should be provided with an accuracy of **two** decimal places.

Periods of initial rate fixation or original maturity of 'up to X years' means 'up to *and including* X years'.

2. Outstanding Amounts (OIR)

Outstanding amounts are defined as the stock of all deposits placed by customers, i.e., households and NFCs, with credit institutions and the stock of all loans granted by credit institutions to their customers. The interest rate on outstanding amounts should reflect the weighted average interest rate level applied to the stock of deposits or loans in the relevant instrument category as at the time reference point (i.e. the last working day of the month). It covers all outstanding contracts that have been agreed in all periods prior to the reporting date.

Bad loans and loans for debt restructuring at rates below market conditions should not be included in the calculation of the weighted average *interest rate* on outstanding amounts. As these loans receive very low interest payments, or no interest payments at all, their inclusion would distort the results of MFI interest rate statistics. Therefore, data on non-accrual loans or loans that have been restructured at rates below market conditions should be excluded from the interest rate statistics. The interest rate agreed for a loan for debt restructuring is not the result of the general demand and supply conditions in the loan market at the time of the agreement, but rather what the indebted customer is able to pay. Hence, interest rates on loans for debt restructuring at rates below market conditions are, like other bad loans, not the type of interest rate that is supposed to be covered as an *agreed rate* by MFI interest rate statistics.

However, while the interest rates charged on these loans should be excluded from the calculation of the weighted average interest rate for that instrument category, the *outstanding amounts of these loans should be included on the OIR format*. The outstanding volume figures should be equal to the corresponding volume figures in the balance sheet statistics, as reported on the Resident Offices return (RS1 return, IES and OES formats).

The OIR column codes are as follows:

10 Outstanding Amount (€ 000)

The outstanding amount of euro-denominated business vis-à-vis households or NFCs resident in the euro area at the reporting date. The total amount of business should only cover those contracts that are still outstanding on the last working day of the month. Business denominated in non-euro currencies (e.g. sterling, US dollar, yen) should not be included in the IRM return. Also, business with non-euro area residents should not be included in the return. It is not necessary to provide a breakdown between business with Irish residents and business with other residents of the monetary union member states.

The amount of business recorded in the 'outstanding amount' column should relate to those accounts used in the computation of the annualised agreed rate (AAR) in the 'interest rate' column. In addition to these accounts, loans for debt restructuring which are excluded from the computation of the weighted average interest rate should be *included* in the 'outstanding amount' column, as indicated above. **The figures included in this column should be equal to the corresponding figures provided on the RS1 return.**

20 Interest Rate (%)

The annualised agreed rate (AAR) is the interest rate that is individually agreed between a credit institution and its customer, converted to an annual basis and quoted in percentages per annum. Annualised agreed rates are distinct from advertised nominal rates, as households and NFCs might be able to negotiate with the credit institution better terms than those which are advertised. Annualised agreed rates reflect the demand and supply conditions in the deposit and loan markets at the time of the agreement, including competition with other types of financial institution and product. They also reflect the creditworthiness and other qualities of the customer (in respect of loans), the solvency and other qualities of the credit institution as viewed by the customer (in respect of deposits), and the budget, capital or other constraints faced by the credit institution in the exercise of their loan-granting and deposit-taking activities.

Please consult the Appendix to this document or Paragraphs 1 to 3 of Annex II to the Regulation for further details on how to calculate an annualised agreed rate.

A weighted average interest rate should be compiled for each instrument category specified, based on the total amounts outstanding at the reporting date, *excluding any bad loans or loans for debt restructuring at rates below market conditions*. The interest rate should be reported with an accuracy of two decimal places.

30 Equity-Linked Deposits (‘Tracker’ Deposits) (€ 000)

Due to certain features of this product (including capital certainty, the lack of any secondary market and the imposition of penalties if liquidated prior to an agreed date), tracker bonds are recorded as deposits (and not as debt securities) on the balance sheet and so should also be included in the MIR statistics. As the actual return on tracker bonds is only determined at maturity, the interest rate that should be included in Outstanding Amounts and New Business formats is the minimum guaranteed return, which is generally zero or near-zero per cent. The only exception is when a bond matures on the reporting date; then the actual return should be included.

Outstanding volumes of equity-linked or ‘tracker’ deposits that have been included in column 10 of the OIR format should be recorded here as an ‘of which’ item. No separate interest rate is requested for these ‘of which’ volumes.

The OIR <u>instrument categories/row codes</u> are as follows:

Deposits from Households and NFCs with Agreed Maturity

Deposits from households (and NPISHs) and NFCs denominated in euro with an agreed maturity. They are non-transferable deposits which cannot be converted into currency before an agreed fixed term or which can only be converted into currency before that agreed fixed term, provided that the account holder is charged some kind of penalty.

Note that deposits with rollover provisions must be classified according to the earliest maturity.

10 **Deposits from households with agreed maturity up to 2 years**

20 **Deposits from households with agreed maturity over 2 years**

30 **Deposits from NFCs with agreed maturity up to 2 years**

40 **Deposits from NFCs with agreed maturity over 2 years**

50 **Repos: Funds Received under Repurchase Agreements (households and NFCs combined)**

Funds, denominated in euro, received from households and/or NFCs in exchange for securities/gold sold by the reporting institution at a given price under a firm commitment to repurchase the same (or similar) securities/gold at a fixed price on a specified future date. Amounts received by reporting MFIs in exchange for securities/gold transferred to a third party ('temporary acquirer') should be classified under 'repurchase agreements' where there is a firm commitment to reverse the operation and not merely an option to do so. This implies that reporting MFIs retain effective (economic) ownership of the underlying securities/gold during the operation.

Loans to Households for House Purchases

Loans, denominated in euro, extended to households (including NPISHs) for the purpose of investing in housing, including building and home improvements. Lending for house purchase comprises loans secured on residential property that are used for the purpose of house purchase and, where identifiable, other loans for house purchase made on a personal basis or secured against other forms of assets. MFI interest rate statistics cover indistinguishably secured and unsecured loans to households for house purchase.

60 **Loans for house purchases with an original maturity up to 1 year**

70 **Loans for house purchases with an original maturity over 1 and up to 5 years**

80 **Loans for house purchases with an original maturity over 5 years**

Loans to Households for Consumer Credit and Other Loans

Loans, denominated in euro, granted to households (including NPISHs) for the purpose of personal use in the consumption of goods and services as well as loans granted for such purposes as business, debt consolidation, education, etc. In other words, this category includes all loans to households, denominated in euro, for non-housing purposes.

90 Loans for consumer credit and other loans with an original maturity up to 1 year

100 Loans for consumer credit and other loans with an original maturity over 1 and up to 5 years

110 Loans for consumer credit and other loans with an original maturity over 5 years

Loans to NFCs

Euro-denominated loans to NFCs. Loans are defined as funds advanced by the reporting MFI to NFCs which are not evidenced by negotiable documents or are represented by a single document (even if it has become negotiable).

120 Loans to NFCs with an original maturity up to 1 year

130 Loans to NFCs with an original maturity over 1 and up to 5 years

140 Loans to NFCs with an original maturity over 5 years

3. New Business (NIR)

New Business on *Overnight Deposits, Deposits Redeemable at Notice, Extended Credit Card Debt* and *Revolving Loans and Overdrafts* (See paragraphs 17 to 19 of Annex II to the Regulation)

For defining new business on overnight deposits, deposits redeemable at notice, extended credit card debt and revolving loans and overdrafts, a different approach is taken than the one applied to other new business categories. Overnight deposits, deposits redeemable at notice, extended credit card debt and revolving loans and overdrafts experience a large number of in- and out-flows throughout the month. The increases and decreases in the amount on these accounts arise from receipts and payments related to the customer's economic activity, and are hence related to transactions rather than to the autonomous investment decisions of the customer. Furthermore, it is usual for the greater part of the deposit, overdraft or extended credit card balance to be turned over during the period. For these reasons, *the outstanding balance at the reporting date is deemed to be the appropriate indicator for new business*[4].

The interest rates for overnight deposits, deposits redeemable at notice, extended credit card debt and revolving loans and overdrafts should reflect the weighted average interest rate applied to the stock on these accounts at the reporting date. They cover the current balance sheet positions of all outstanding contracts that have been agreed in all periods prior to the reference date.

New Business in Instrument Categories other than *Overnight Deposits, Deposits Redeemable at Notice, Extended Credit Card Debt* and *Revolving Loans and Overdrafts* (See paragraphs 20 to 25 of Annex II to the Regulation)

New business for deposits with agreed maturity, repos, loans to households for consumption, for house purchases and for other purposes, and for loans to NFCs (other than revolving loans and overdrafts and extended credit card debt), is defined as any *new agreement* between the customer and the credit institution. 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.

Prolongations of existing deposit and loan contracts that are carried out automatically, i.e. *without any active involvement of the customer*, and do not involve any renegotiations of the terms and conditions of the contract, including the interest rate, are *not* new business. (The overall treatment of maturing deposits on the IRM return is discussed further in the *Frequently Asked Questions* section below.)

Please note that a loan sanction is not new business. New business only arises when, on the basis of the loan sanction, the final legal contract is signed by both parties. A 'cooling-off' period has no influence on the MIR statistics on new business, even if the customer has the right to step back from the signed contract during this period. The new business statistics should reflect the business conditions as specified in the contract at the time of signing. The actual date of drawdown of funds is irrelevant for the new business statistics.

[4] By leaving a balance on the overnight deposit, deposits redeemable at notice, extended credit card, or overdraft facility, the customer has implicitly agreed to the terms and conditions of the account, which is a precondition for new business.

3.1 Treatment of Credit Card Balances

For the purposes of this return, only interest-bearing balances, i.e. *extended credit card debt*, should be included in the amount of <u>new business</u> reported on the NIR format. (The overall treatment of credit card balances on the IRM return is discussed further in the *Frequently Asked Questions* section below.)

3.2 Defining New Business for Maturing Deposits

In principle, the definition of new business in the case of maturing deposits should be the same as for any other business, i.e., *the key should be the active involvement of the customer*. In this way it can be ensured that the MIR statistics on new business reflect 'current market conditions'. In practice, it might be necessary to define certain indications of when the customer has been actively involved in placing the money at the rollover date. It is proposed by the ECB that in the absence of any better knowledge, it should be assumed that the customer has been actively involved at the rollover date if the terms and conditions of the deposit change at the rollover date and/or if a notification letter has been sent to the customer prior to the rollover date. (The overall treatment of maturing deposits on the IRM return is discussed further in the *Frequently Asked Questions* section below.)

If the terms of a deposit are changed and the deposit is consequently classified as 'new business', the maturity of this deposit should be counted as commencing at the point of the 'new business' classification.

3.3 Recording the Interest Rate on New Business Agreements

The new business rates on MFI interest rate statistics should cover the actual rate agreed in the individual contract. The value of a variable rate contract should be determined based on the value of the external index at the time of the acceptance of the contract. If the customer signs first and then the bank signs, the acceptance is when the bank signs (and vice versa). There might be a transmission time before the contract is returned to the bank and the new business might be recorded with a delay of a few days.

3.4 Moratorium on a Loan

A restart of a loan after a moratorium per se is not new business. **New business occurs only if the customer signs a new agreement.**

3.5 Renegotiation of a Contract

If it transpired that a customer renegotiated the terms/conditions of his contract for a second time within the same month then *both* contracts should be regarded as new business. It should be noted that only a final binding contract is considered new business and not any loan promise/loan sanction made by the bank.

3.6 Treatment of EURIBOR-Related Loans

New negotiations between the customer and the credit institution are necessary in order to have new business. Whether the interest rate changes as a consequence of the negotiations is irrelevant. Furthermore, whatever is foreseen in the original contract is not new business once it occurs. For example, if it is outlined in the contract that the EURIBOR reset periods and rates will be implemented, the fact that the interest rate changes subsequently is *not* new business.

3.7 Opening and Closing an Account within the Same Month

If a customer opens a new deposit account during the month but closes the account before the month-end, this account should be captured in the new business statistics. All new business conducted during the entire month should be included in the new business statistics. This account, however, would not be captured in the data on outstanding amounts as it was no longer in existence at the month-end reporting date.

The NIR <u>column codes</u> are as follows:

10 Amount of New Business (€ 000)

Categories other than *Overnight Deposits, Deposits Redeemable at Notice, Extended Credit Card Debt* and *Revolving Loans and Overdrafts*

The amount of euro-denominated new business agreed vis-à-vis households or NFCs resident in the euro area, during the reference period. Reporting agents need to take into account the new business operations conducted during the entire month, rather than just a selected period during the month. Business denominated in non-euro currencies (e.g. sterling, US dollar, yen) should not be included in this return. Also, new business with non-euro area residents should not be included in this return. It is not necessary to provide a breakdown between business with Irish residents and new business with other residents of the monetary union member states.

Overnight Deposits, Deposits Redeemable at Notice, Extended Credit Card Debt* and *Revolving Loans and Overdrafts

As the concept of new business is extended to the whole stock for these instruments, the compilation procedure and the time reference point (i.e. last working day of the month) are the same as for the outstanding business format (OIR). Therefore, MFI interest rates on overnight deposits, deposits redeemable at notice, extended credit card debt and revolving loans and overdrafts should be compiled as a snap-shot of end-month observations, i.e. they should be calculated as weighted averages of the interest rates applied to the stock of these instruments on the last working day of the month. The total amount of business should only include those contracts that are still outstanding at the time of data collection.

20 Interest Rate (%)

The annualised agreed rate (AAR) is the interest rate that is individually agreed between a credit institution and its customer, converted to an annual basis and quoted in percentages per annum. Annualised agreed rates are distinct from advertised nominal rates, as households and NFCs might be able to negotiate with the credit institution better terms than those which are advertised. Annualised agreed rates reflect the demand and supply conditions in the deposit and loan markets at the time of the agreement, including competition with other types of financial institutions and products. They also reflect the creditworthiness and other qualities of the customer (in respect of loans), the solvency and other qualities of the credit institution as viewed by the customer (in respect of deposits), and the budget, capital or other constraints faced by the credit institution in the exercise of their loan-granting and deposit-taking activities.

Please consult the Appendix to this document or Paragraphs 1 to 3 of Annex II to the Regulation for further details on how to calculate an annualised agreed rate.

For overnight deposits, deposits redeemable at notice, extended credit card debt and revolving loans and overdrafts, the MFI needs to compile a weighted average interest rate based on all contracts outstanding for these categories on the last working day of the month, including contracts agreed in all periods prior to the reporting date. The interest rate should reflect the weighted average interest rate level applied to the stock of deposits or loans in the relevant instrument category as at the time reference point (i.e. the last working day of the month). It covers all outstanding contracts that have been agreed in all periods prior to that reporting date.

For the remaining instrument categories, the reporting agents need to calculate the new business interest rate as a weighted average of *all* interest rates on new business operations in the instrument category *during* the reference month.

A Narrowly Defined Effective Rate (NDER) should be calculated for Loans to Households for House Purchase instead of an AAR. Further details are specified in the Appendix.

30 Amount of New Business which is Collateralised/Guaranteed (€ 000)

Loans to households and NFCs secured with collateral and/or guarantees are additionally separately reported for all MFI interest rate statistics new business categories except extended credit card debt, revolving loans and overdrafts, and lending to households for other purposes.

For the purpose of MFI interest rate statistics, the breakdown of loans according to collateral/guarantees includes the total amount of new business loans which are collateralised using the ‘funded’ credit protection technique as defined in *Article 4(31) and Annex VIII, Part 1, Sections 6-25 of Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006* relating to the taking up and pursuit of the business of credit institutions (recast) and/or guaranteed using the ‘unfunded credit protection’ technique as defined in *Article 4(32) and Annex VIII, Part 1 Sections 26-29 of Directive 2006/48/EC*, in such a way that <u>the value of the collateral and/or guarantee is higher than or equal to the total amount of the loan</u>. If an MFI applies a system different from the ‘standardised approach’ as defined in *Directive 2006/48/EC* for supervisory purposes, it may also apply the same treatment in the reporting of loans included under this breakdown.

40 **Interest Rate on Collateralised/Guaranteed Lending (%)**

The annualised agreed rate on the total volume of collateralised business which is recorded in column 30 of the NIR.

50 **Equity-Linked or 'Tracker' deposits (€ 000)**

Due to certain features of this product (including capital certainty, the lack of any secondary market and the imposition of penalties if liquidated prior to an agreed date), tracker bonds are recorded as deposits (and not as debt securities) on the balance sheet and so should also be included in the MIR statistics. As the actual return on tracker bonds is only determined at maturity, the interest rate that should be recorded in Outstanding Amounts and New Business formats is the minimum guaranteed return, which is generally zero or near-zero per cent.

New business volumes of equity-linked or 'tracker' deposits that have been included in column 10 of the NIR format should be recorded here as an 'of which' item. No separate interest rate is requested for the 'of which' volumes.

The NIR instrument categories/row codes are as follows:

10 **Household Overnight Deposits**

Euro-denominated deposits from households (and NPISHs) which are convertible into currency and/or which are transferable on demand by cheque, banker's order, debit entry or similar means, without significant delay, restriction or penalty. Balances representing prepaid amounts in the context of electronic money issued by MFIs are also included under this item. This item excludes non-transferable deposits which are withdrawable on demand but which are subject to significant penalties. MFI interest rates on overnight deposits should cover all overnight deposits, whether or not they are interest-bearing.

Please note that for overnight deposits the concept of new business is extended to the whole stock, i.e., outstanding amounts.

Deposits from Households with Agreed Maturity

Deposits from households (and NPISHs) denominated in euro with agreed maturity. They are non-transferable deposits which cannot be converted into currency before an agreed fixed term or which can only be converted into currency before that agreed fixed term provided that the account holder is charged some kind of penalty.

20 **Deposits from households with agreed maturity up to 1 year**

30 **Deposits from households with agreed maturity over 1 year and up to 2 years**

40 Deposits from households with agreed maturity over 2 years

Deposits Redeemable at Notice from Households and NFCs

Non-transferable deposits from households (and NPISHs) and NFCs, denominated in euro, which are without any agreed maturity and cannot be converted into currency without a period of notice; before the expiry the conversion into cash is not possible or possible only with a penalty.

For this category, the concept of new business should be extended to the whole stock. In addition, for this instrument category households and NFCs should be merged and allocated to the household sector, since households account for about 98 per cent of the outstanding amount of deposits redeemable at notice in all participating Member States combined.

50 Deposits redeemable at notice: up to 3 months' notice

60 Deposits redeemable at notice: over 3 months' notice

70 NFC Overnight Deposits

Euro-denominated deposits from NFCs which are convertible into currency and/or which are transferable on demand by cheque, banker's order, debit entry or similar means, without significant delay, restriction or penalty. Balances representing prepaid amounts in the context of electronic money issued by MFIs are also included under this item. This item excludes non-transferable deposits which are withdrawable on demand but which are subject to significant penalties. MFI interest rates on overnight deposits should cover all overnight deposits, whether or not they are interest-bearing.

Please note that for overnight deposits the concept of new business is extended to the whole stock, i.e., outstanding amounts.

Deposits from NFCs with Agreed Maturity

Deposits from NFCs denominated in euro with an agreed maturity. They are non-transferable deposits which cannot be converted into currency before an agreed fixed term or which can only be converted into currency before that agreed fixed term provided that the account holder is charged some kind of penalty.

80 Deposits from NFCs with agreed maturity up to 1 year

90 Deposits from NFCs with agreed maturity over 1 and up to 2 years

100 Deposits from NFCs with agreed maturity over 2 years

110 Repos: Funds Received under Repurchase Agreements (households and NFCs combined)

Funds, denominated in euro, received from households and/or NFCs in exchange for securities/gold sold by the reporting institution at a given price under a firm commitment to repurchase the same (or similar) securities/gold at a fixed price on a specified future date. Amounts received by reporting MFIs in exchange for securities/gold transferred to a third party ('temporary acquirer') should be classified under 'repurchase agreements' where there is a firm commitment to reverse the operation and not merely an option to do so. This implies that reporting MFIs retain effective (economic) ownership of the underlying securities/gold during the operation.

Loans to Households

120 Revolving Loans and Overdrafts

Revolving loans are loans that have all the following features:

- The borrower may use or withdraw funds to a pre-approved credit limit without giving prior notice;
- The amount of available credit can increase and decrease as funds are borrowed and repaid;
- Credit may be used repeatedly;
- There is no obligation of regular repayment of funds.

Revolving loans include the amounts obtained through a line of credit and not yet repaid (outstanding amount). A line of credit is an agreement between a lender and borrower that allows a borrower to take advances, during a defined period and up to a certain limit, and repay the advances, at his discretion before a defined date. Overdrafts are debit balances on current accounts. Both revolving loans and overdrafts exclude loans provided through credit cards. The total amount owed by the borrower is to be reported, irrespective of whether it is within or beyond any limit agreed beforehand between the lender and the borrower, with regards to size and/or maximum period of the loan.

For this category, the concept of new business is extended to the whole stock outstanding at the reporting date.

130 Extended Credit Card Debt

Credit card debt is recorded on dedicated card accounts and therefore is not captured in current or overdraft accounts. Extended credit is defined as the credit granted after the due date(s) of the previous billing cycle(s) has/have passed, i.e. debit amounts on the card account that have not been settled when this was first possible, for which an interest rate or tiered interest rates usually greater than zero per cent are charged. Often minimum instalments per month have to be made, to at least partially repay extended credit.

For this category, the concept of new business is extended to the whole stock outstanding at the reporting date.

Loans to Households for Consumption

Euro-denominated loans granted to households (and NPISHs) for the purpose of personal use in the consumption of goods and services.

140 Loans to households for consumption, floating rate or up to 1 year initial rate fixation

150 Loans to households for consumption, over 1 and up to 5 years initial rate fixation

160 Loans to households for consumption, over 5 years initial rate fixation

170 Loans to households for consumption, Annual Percentage Rate of Charge (APRC)

The APRC covers the 'total costs of the credit to the consumer', as defined in Article 3(g) of Directive 2008/48/EC. These total costs comprise an interest rate component and a component of other (related) charges, such as the cost of inquiries, administration, preparation of the documents, guarantees, credit insurance, etc.

Please note that the APRC should be greater than or equal to the weighted average of the rates provided in rows 140, 150 and 160.

Loans to Households for House Purchase

Euro-denominated loans to households (and NPISHs) for the purpose of investing in housing, including building and home improvements. Lending for house purchase comprises loans secured on residential property that are used for the purpose of house purchase and, where identifiable, other loans for house purchases made on a personal basis or secured against other forms of assets. MFI interest rate statistics cover indistinguishably secured and unsecured loans to households for house purchases.

A *narrowly defined effective rate (NDER)* should be calculated, instead of an AAR, for loans to households for house purchase. The NDER is equivalent to the interest rate component of the APRC but does not take into account the component of other charges. Please refer to the Appendix to this document or Paragraphs 1 to 3 of Annex II to the Regulation for further information.

180 **Loans to households for house purchase, floating rate or up to 1 year initial rate fixation**

190 **Loans to households for house purchase, over 1 and up to 5 years initial rate fixation**

200 **Loans to households for house purchase, over 5 and up to 10 years initial rate fixation**

210 **Loans to households for house purchase, over 10 years initial rate fixation**

220 **Loans to households for house purchase, Annual Percentage Rate of Charge (APRC)**

The APRC covers the 'total costs of the credit to the consumer', as defined in Article 3(g) of Directive 2008/48/EC. These total costs comprise an interest rate component and a component of other (related) charges, such as the cost of inquiries, administration, preparation of the documents, guarantees, credit insurance, etc.

Please note that the APRC should be greater than or equal to the weighted average of the rates provided in rows 180, 190, 200 and 210.

Loans to Households for Other Purposes

Other euro-denominated loans granted to households (and NPISHs) which have not been recorded in the previous two categories (consumption or housing purposes).

230 **Loans to households for other purposes, floating rate and up to 1 year initial rate fixation**

250 **Loans to households for other purposes, over 1 and up to 5 years initial rate fixation**

270 **Loans to households for other purposes, over 5 years initial rate fixation**

Loans to NFCs

290 **Revolving Loans and Overdrafts**

Please refer to NIR Row Code 120 above.

For this category, the concept of new business in extended to the whole stock outstanding at the reporting date.

300 Extended Credit Card Debt

Please refer to NIR Row Code 130 above.

For this category, the concept of new business in extended to the whole stock outstanding at the reporting date.

310 Loans to NFCs up to €250,000, floating rate and up to 3 months initial rate fixation

320 Loans to NFCs up to €250,000, over 3 months and up to 1 year initial rate fixation

330 Loans to NFCs up to €250,000, floating rate and up to 1 year initial rate fixation, with original maturity over 1 year

340 Loans to NFCs up to €250,000, over 1 year and up to 3 years initial rate fixation

350 Loans to NFCs up to €250,000, over 3 years and up to 5 years initial rate fixation

360 Loans to NFCs up to €250,000, over 5 years and up to 10 years initial rate fixation

370 Loans to NFCs up to €250,000, over 10 years initial rate fixation

380 Loans to NFCs over €250,000 and up to €1 million, floating rate and up to 3 months initial rate fixation

390 Loans to NFCs over €250,000 and up to €1 million, over 3 months and up to 1 year initial rate fixation

400 Loans to NFCs over €250,000 and up to €1 million, floating rate and up to 1 year initial rate fixation, with original maturity over 1 year

410 Loans to NFCs over €250,000 and up to €1 million, over 1 year and up to 3 years initial rate fixation

420 Loans to NFCs over €250,000 and up to €1 million, over 3 years and up to 5 years initial rate fixation

430 Loans to NFCs over €250,000 and up to €1 million, over 5 years and up to 10 years initial rate fixation

440 Loans to NFCs over €250,000 and up to €1 million, over 10 years initial rate fixation

450 Loans to NFCs over €1 million, floating rate and up to 3 months initial rate fixation

460 Loans to NFCs over €1 million, over 3 months and up to 1 year initial rate fixation

470 **Loans to NFCs over €1 million, floating rate and up to 1 year initial rate fixation, with original maturity over 1 year**

480 **Loans to NFCs over €1 million, over 1 year and up to 3 years initial rate fixation**

490 **Loans to NFCs over €1 million, over 3 years and up to 5 years initial rate fixation**

500 **Loans to NFCs over €1 million, over 5 years and up to 10 years initial rate fixation**

510 **Loans to NFCs over €1 million, over 10 years initial rate fixation**

4. Frequently Asked Questions

1. How should credit card balances be treated on the OIR and NIR?

OIR

All euro-denominated credit card debt should be reported on the OIR format. Both convenience and extended credit card balances should be included among the loans series, as indicated by footnote 1 on the OIR format. While the Regulation does not explicitly state in which instrument or maturity category credit card debt should be reported, the ECB has acknowledged that from its correspondence with all euro area Central Banks, credit card debt is most frequently reported in the 'consumer credit and other loans' category for households, and in the maturity category 'up to one year'. Therefore we suggest that all credit card balances and their corresponding interest rates (which are zero per cent in the case of convenience credit) be included in Rows 90 and 120 for households and NFCs, respectively.

NIR

According to the Regulation, data on volumes and rates are reported *separately* only in respect of *extended credit card debt,* in rows 130 and 300 on the NIR format. The concept of new business extends to the entire stock, i.e. the outstanding amount of extended credit card debt at the reporting date. The interest rate on convenience credit is not reported separately, as it is by definition zero per cent.

The volume of business recorded in respect of extended credit card debt should match the volume recorded on the RS1 return (IES + OES formats) in row 470 and columns 150 and 130 for households and NFCs, respectively.

2. How should revolving loans and overdrafts be treated on the OIR and NIR?

OIR

Revolving loans and overdrafts should be included among the loans series, as indicated by footnote 1 on the OIR format. While the Regulation does not explicitly state in which instrument or maturity category revolving loans and overdrafts should be reported, the ECB has acknowledged that from its correspondence with all euro area Central Banks, revolving loans and overdrafts are most frequently reported in the 'consumer credit and other loans' category for households, and in the maturity category 'up to one year'. We ask that all overdrafts and their corresponding interest rates be included in Rows 90 and 120 for households and NFCs, respectively. Revolving loans to households should also be reported in the 'consumer credit and other loans' category. In relation to the maturity of revolving loans to households or NFCs, it is expected that the reporting agent knows the maturity of any revolving facilities granted, and we would ask that these are reported accordingly. Revolving loans should be reported in the same maturity category on the IRM and RS1 returns.

NIR

Revolving loans and overdrafts should be reported separately on the NIR format, in Rows 120 and 290. The concept of new business extends to the entire stock, i.e. the outstanding amount of revolving loans and overdrafts at the reporting date.

The volume of business recorded in respect of revolving loans should match the volume recorded on the RS1 return (IES + OES formats) in row 450 and columns 150 and 130 for households and NFCs, respectively

3. Should interest rates be reported as averages over the month, or as at end-month?

OIR

The interest rate on outstanding amounts should reflect the weighted average interest rate applied to the stock of deposits or loans in the relevant instrument category *on the last working day of the month*. It covers all outstanding contracts that have been agreed in all periods prior to that reporting date.

NIR

Interest rates on new business should reflect the weighted average of *all* interest rates on new business operations in the instrument category *during* the reference month. The exception to this is for those instrument categories for which the concept of new business is extended to the whole stock, i.e. overnight deposits, deposits redeemable at notice, revolving loans and overdrafts, and extended credit card debt. For these instrument categories, the weighted average interest rates on outstanding amounts on the last working day of the month are reported on the NIR format.

4. How should volumes that are transferred to NAMA be handled?

As per the Resident Offices Return (RS1), volumes that are removed from the balance sheet, either through securitisation or transfer to NAMA, should no longer be reported in the interest rate statistics.

5. How should non-performing loans be treated on the IRM?

According to the Regulation, bad loans and loans for debt restructuring at rates below market conditions should not be included in the *interest rate* on outstanding amounts. As these loans in general receive little or no interest payments, the inclusion of these rates would distort the results of the MFI interest rate statistics.

However, although the *interest rates* on bad loans and loans for debt restructuring below market conditions are **excluded** from MFI interest rate statistics, their *outstanding volumes* should be **included** on the OIR. Outstanding volumes should be equal to the amounts outstanding in the MFI Balance Sheet statistics (RS1 return), which include bad loans.

In relation to restructured or renegotiated loans, these would usually be included on the NIR format, if a new agreement between the reporting agent and the customer is signed. However, if these loans are restructured or renegotiated at interest rates that are considered to be below market conditions, then they should not be reported as new business. The reason is that the interest rate agreed for a loan for debt restructuring is not the result of the general demand and supply conditions in the loan market at the time of the agreement, but is merely what the indebted customer is able to pay.

6. How should deposits that are rolled over at maturity be treated?

If a term deposit is rolled over at maturity, there are two issues to consider when reporting on the IRM return:

a) Does the rolled-over deposit constitute new business and therefore require reporting on the NIR format?
b) Regardless of the outcome in (a), should there be any change to how this deposit is classified on the OIR format, in terms of original maturity?

In relation to (a), the definition of new business in the case of maturing deposits should be the same as for any other business, i.e. *the key should be the active involvement of the customer*. If the deposit is automatically prolonged, without any engagement between the institution and the customer, then this does not constitute new business. If the customer has been actively involved at the maturity/rollover date, regardless of whether or not this resulted in a change in terms and conditions, then this does constitute new business and should therefore be reflected on the NIR format. The maturity of this deposit should be counted as commencing at the point of the “new business” classification.

Regardless of the outcome in (a), the treatment of the deposit on the OIR format should be identical to its treatment on the RS1 return. The prolongation of a contract, whether occurring automatically or as a result of engagement with the customer, should be treated on the RS1 return as if it were a new deposit. Therefore, the new conditions may imply a different classification in terms of original maturity. For example, if a three-year term deposit reaches maturity and is rolled over for one additional year, this should now be reflected as a deposit with agreed maturity up to one year on both the RS1 return and on the OIR format of the IRM return.

APPENDIX

Annualised Agreed Rate (AAR)

The AAR is the interest rate that is individually agreed between a credit institution and its customer, converted to an annual basis and quoted in percentages per annum. Annualised agreed rates are distinct from advertised nominal rates, as households and NFCs might be able to negotiate with the credit institution better terms than those which are advertised. Annualised agreed rates reflect the demand and supply conditions in the deposit and loan markets at the time of the agreement, including competition with other types of financial institution and product. They also reflect the creditworthiness and other qualities of the customer (in respect of loans), the solvency and other qualities of the credit institution as viewed by the customer (in respect of deposits), and the budget, capital or other constraints faced by the credit institution in the exercise of their loan-granting and deposit-taking activities.

The AAR is applied in cases where the interest payments that are agreed between the credit institution and the customer are capitalised at regular intervals within a year, for example per month or per quarter:

$$x = \left(1 + \frac{r_{ag}}{n}\right)^{n} - 1$$

<u>Meaning of letters and symbols:</u>

x = AAR

r_{ag} = Interest rate per annum that is agreed between the reporting agent and the household or non-financial corporation for a deposit or loan, where the dates of the interest capitalisation of the deposit and all the payments and repayments of the loan are at regular intervals in the year.

n = Number of interest capitalisation periods for the deposit and (re)payment periods for the loan per year, i.e. 1 for yearly payments, 2 for semi-annual payments, 4 for quarterly payments and 12 for monthly payments.

Narrowly Defined Effective Rate (NDER)

The NDER is defined as the interest rate, on an annual basis, that equalises the present value of all commitments other than charges (deposits or loans, payments or repayments, interest payments), future or existing, agreed by the reporting agents and the household or non-financial corporation. The NDER is equivalent to the interest rate component of the *annual percentage rate of charge* (APRC).

Please note that a narrowly defined effective rate should be calculated, instead of an AAR, for loans to households for house purchase on the NIR format.

In the case when years are presumed to have 365 days and the amount of the deposit or loan is placed or paid out in one amount, the following applies:

$$A = \sum_{n=1}^{N} \frac{CF_n}{(1+i)^{\frac{D_n}{365}}} = \sum_{n=1}^{N} \left(CF_n * (1+i)^{\frac{-D_n}{365}} \right)$$

<u>Meaning of letters and symbols:</u>

i = Interest rate (NDER rate which we wish to calculate)

CF_n = Cash flow n, from the perspective of the investor in the case of deposits and from the perspective of the credit institution in the case of loans

N = Number of cash flows associated with the financial instrument

A = Amount of the deposit (loan) initially placed (paid out)

D_n = Timing of the cash flow n, expressed in days after the first cash flow (in general, the date of investment of the deposit or valuation of the loan).

The only difference between the NDER and the AAR is the underlying method for annualising interest payments. The NDER uses successive approximation and can therefore be applied to any type of deposit or loan, whereas the AAR uses the algebraic formula defined above and is therefore only applicable to deposits and loans with regular capitalisation of interest payments. For products with regular capitalisation periods, where interest payments occur more frequently or equally frequently than the repayments of the principal, including all cases where the principal is repaid in full at the end of the contract, the AAR and the NDER coincide. This applies also to products with irregular or exceptional repayments of the principal, as long as these do no occur more frequently than the interest payments. Hence, for the majority of retail products the NDER and the annualised agreed rate lead to the same result. For products with complex cash flow, however, only the NDER gives the mathematically correct result. The AAR provides a close approximation, which is in line with the ECB Regulation.