

# METHOD

## Statistics on MFI interest rates

24 August 2016

As part of the Eurosystem's statistical reporting scheme,<sup>1</sup> the Banque de France (BdF) collects, analyses and publishes monthly statistics on interest rates applied by monetary financial institutions (MFIs) in France. The European Central Bank (ECB) then uses the data collected by Eurosystem National Central Banks (NCBs)<sup>2</sup> from credit institutions to calculate<sup>3</sup> harmonised statistics on the interest rates for the euro area. The BdF also conducts a quarterly survey on interest rates as part of its provision of services to the national community, for the purpose of calculating usury rates<sup>4</sup>.

### Types of rates collected

The MFI interest rates collected are those actually applied by credit institutions to non-financial corporations (NFCs) and households (and to local government bodies for data on individual contracts – see below). They differ from the catalogue rates published by credit institutions in their marketing literature as non-financial borrowers are often able to negotiate better terms and conditions than those advertised by their bank.

Except where otherwise specified, the rates tracked are the narrowly defined effective rates (NDERs), which are the interest component of the annual percentage rate of charge (APRC). These are annualised rates over the life of the loan, which are determined by the total remuneration from the transaction for the lending credit institution and the total cost of the transaction for the borrower. The subsidies or interest support obtained from third parties and paid directly to lenders are counted with the interest actually paid by the borrower when calculating the NDERs for borrowers. On the other hand, these subsidies or interest supports are deducted from the interest on deposits if they reduce the cost of deposits for credit institutions.<sup>5</sup> They are not taken into account when they provide a direct benefit to the credit institutions' counterparties and when they are not recorded in the credit institutions' financial statements.

In addition, the data collection covers APRCs applied to loans to households for house purchases and consumption. In accordance with the French Consumer Code (see in particular Articles L. 314-1 to L. 314-5), the items used to calculate the APRC include the straightforward interest rate component, plus charges related to the granting of the loan such as administration fees, credit insurance, commission charges, guarantees, etc.

### Method of collection

#### BdF regulatory framework

The MFI interest rate forms submitted by reporting credit institutions to the BdF comprise three sections:

1. Interest rates on new business deposits and loans: this section shows all new deposit and loan contracts, together with interest rates on closed-ended contracts; data are broken down by initial period of interest rate

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<sup>1</sup> MFI interest rate statistics are produced in accordance with ECB regulation No 1072/2013 (ECB/2013/34) of 24 September 2013 which amended ECB regulation No 290/2009 of 31 March 2009 (ECB/2009/7).

<sup>2</sup> In France, the template for the tables to be submitted by reporting entities under ECB regulatory requirements was defined in January 2014 in Annexes 5 and 6 of [note technique n°2014-01](#) (in French only) published by the Monetary and Financial Statistics Directorate, which relates to the collection and verification of monetary statistics submitted by credit institutions, the Caisse des Dépôts et Consignations, financing companies and issuers of electronic money.

<sup>3</sup> The ECB also publishes national statistics at <http://www.ecb.int/stats/money/interest/interest/html/index.en.html>.

<sup>4</sup> See in particular Articles [D313-6](#) and [D313-7](#) of the French Consumer Code.

<sup>5</sup> In accordance with this rule, the interest rate on new deposits in housing savings plans is the rate applicable to new plans, excluding the government bonus. In parallel, the rates on the preferential loans granted under these savings schemes include the bonus paid by the government – provided said bonus is paid into the account of the reporting entity.

fixation (IPIRF),<sup>6</sup> by purpose, by counterparty, and, for non-financial corporations (NFCs), by amount band (see 1).

2. Interest rates on outstanding deposits and loans: this section shows interest payable and receivable and average outstanding amount of deposits and loans by purpose and counterparty, and is used to calculate implicit interest rates. Both closed-ended and open-ended loans are reported (i.e. overdrafts, revolving loans, etc.) (see 2).
3. Interest rates on individual loan contracts: this is the quarterly survey on the cost of credit, which is used primarily to calculate usury rates.

The first two sections comply with the ECB regulations on the collection of statistics on the interest rates applied by MFIs to deposits and loans vis-à-vis households and NFCs. The last section is a national requirement (see Annex 1 for a comparison of BdF publications on loan interest rates).

## 1. Interest rates on new business

### 1.1. Definition of new business

#### Definition of new business

New business refers to all financial contracts that specify an interest rate for a deposit or loan for the first time. It also includes all cases where new negotiations regarding existing deposits and loans result in changes to the original contractual conditions.

The monthly new business data reported by credit institutions correspond to contracts that become irrevocable from the credit institutions' point of view, meaning that new business data are reported when the relevant contracts are signed and recorded in the off-balance sheet items for the month under consideration.

The BdF uses the reports received from credit institutions in the sample to calculate the weighted average interest rates (NDER, APRC) as well as the volume of new business, in accordance with the ECB's harmonised definitions. The data collected relate to all new business concluded during the month.

#### Transactions included in new business

- Plain vanilla loans
- Subsidised loans (e.g. zero-interest loans)
- Unsubsidised loans
- Housing savings plans for the amount of the original deposit
- Renegotiations leading to changes in the original financial conditions
- Term deposits

#### Transactions excluded from the new business

- New contracts denominated in a currency other than the euro.
- Renegotiations of loans classified as non-performing or non-performing loans that are reclassified as performing loans. This refers to non-performing loans as defined by accounting regulations.
- For overnight deposits or deposits redeemable at notice up to three months, bank overdrafts, trade receivables, factoring and open-ended cash advances, new business is assimilated to uses of credit.<sup>7</sup> The interest rates on these transactions, therefore, are presented as part of the statistics relating to interest rates on outstanding amounts (see 2).
- Loans and deposits that are renewed by tacit consent. However, such contracts are subject to special quarterly tracking if they are included in the transactions used to calculate the usury rate.

### 1.2. Selection of a sample of the reporting population for interest rates on new business

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<sup>6</sup> See definition in the final paragraph of the 1<sup>st</sup> section (interest rates on new business).

<sup>7</sup> Open-ended cash advances correspond to total deferred repayments stemming from the use of payment means, the first-time use of new revolving loans, the use of issuance facilities that are not represented by a security, advances on financial assets, and loans to purchase financial instruments. Factoring means total factored claims recorded as assets less the available and unavailable balance on factoring accounts and the outstanding amount of factoring bills issued to customers by the reporting entity.

Statistics on interest rates on new business are collected from a sample of the reporting population in order to minimise costs and facilitate the verification of data quality. In order to draw up the sample, the potential reporting population is broken down into two strata: generalist banks and specialist institutions (see Box). The BDF then selects a sample of branches from the credit institutions included in the generalist bank stratum, and a sample of credit institutions from the specialist stratum. At end-January 2016, the sample comprised 3,430 branches (out of a total of around 38,000) belonging to 114 generalist institutions, and 135 specialist institutions (out of a total of 657).

#### **Box: Characteristics of the sample of statistics on MFI interest rates**

Since the Eurosystem began collecting information on interest rates in 2003, the method for selecting the reporting sample has been revised four times: in 2006, in 2010, in September 2014 (regarding branches) and in December 2014 (when the ECB reformed its system of statistical data collection).

In 2010, to ensure greater accuracy, the strata into which banks are subdivided were redefined according to legal categories. In general, the distribution of the sample population between the strata is a function of the dispersion of average rates between institutions or between branches in each stratum.

In June 2010, the ECB reformed its reporting methods and introduced the changes set out in Regulation No 290/2009 of 31 March 2009. In particular, Annex 1 of this regulation, which describes the selection of the reporting population, allows the use of a sampling approach (paragraph 3), provided it only takes the form of a single-stage sampling (paragraph 9). However, where an NCB decides on a census of all institutions in one stratum, it may sample in that stratum at the level of branches (paragraph 20). Lastly, paragraphs 10 and 21 set out the specific requirements regarding the accuracy of the survey:

*The minimum national sampling size shall be such that the maximum random error at national level does not on average exceed 10 basis points at a confidence interval of 90% (...). NCBs that choose the sampling approach shall ensure that the sample remains representative over time.*

In October 2014, in the case of interest rates on new business, the practice of selecting samples of branches was abandoned and replaced by the selection of credit institutions. Generalist institutions that previously provided data for a sample of branches must now report data for all their branches.

The branch sampling approach is still used for the calculation of usury rates and the cost of credit.

In December 2014, the reporting sample was updated as part of the reform of the ECB's collection of statistical data.

The list of credit institutions required to report interest rates on new business is available on the Banque de France website at: <http://www.banque-france.fr/economie-et-statistiques/espace-declarants/reglementation-des-statistiques-monetaires-et-financieres/dispositif-reglementaire-de-la-banque-de-france/modalites-techniques-de-declaration-et-controle-des-remises-des-etablissements-de-credit.html>

### 1.3. Calculating average rates and the volume of new business

The interest rates on new business published in the statistics are the average rates weighted by the volume of corresponding transactions. In each of the categories tracked by the statistics, the volume of new business and the average rates are estimated by applying the following formulae:

$$F = \sum_{j \in e} P_j f_j \quad r = \frac{\sum_{j \in e} P_j f_j r_j}{\sum_{j \in e} P_j f_j}$$

Where:

$j$  = institution in the reporting sample,

$P_j$  = weight attached to institution  $j$  (inverse of its selection probability),

$F$  and  $r$  = estimate of new business volumes and the average rate, respectively,

$f$  = flow of new business,

$e$  = sample of institutions.

## 1.4. Classification of transactions and counterparties

Interest rates on new business are broken down by instrument category (term deposits, loans to households for house purchases, consumer loans, other loans), by original maturity (deposits only), and by borrowing sector (NFCs, households, including non-profit institutions serving households, sole traders). In addition, loans to NFCs are broken down by amount category (up to and including EUR 0.25 million, over EUR 0.25 million, up to and including EUR 1 million, over EUR 1 million, up to and including EUR 4 million, over EUR 4 million) and according to whether or not they are secured against collateral and/or with a guarantee.

Interest rates on new loans are also broken down by their initial rate fixation period (IRFP). This is the period during which the interest rate on the loan remains fixed. In the case of fixed-rate loans, it is equal to the loan term. Loans with rates that are revisable at least once a year, along with loans where the original term is up to one year are included in the “IRFP up to one year” category. For example, a loan with an initial maturity of one year and on which the interest rate is revised annually, will always have an IRFP of up to one year. In addition, a loan with an interest rate calculated as the average value of a benchmark rate over the loan maturity is also considered to have an IRFP of up to one year.

## 2. Interest rates on outstanding amounts

### 2.1. Definition of interest rates on outstanding amounts

An interest rate on outstanding amounts is defined as the weighted average interest level applied to the outstanding amount of deposits and loans in the relevant instrument category for the reference month. This is the implicit interest rate calculated as a quotient, with the numerator as the accumulated flow of interest during the reference month, and the denominator as the average outstanding amount for the month.

The interest rate for a given credit institution, loan or deposit, and counterparty (NFC, sole proprietor, individual, private administration) is obtained using the following formula:

$$t_{i,j}^m = \left\{ \left\{ \left\{ 1 + \frac{f_{i,j}^m}{e_{i,j}^m} \right\} \frac{365}{N} \right\} - 1 \right\} * 100$$

Where:

$t_{i,j}$  = implicit rate on outstanding amounts for month  $m$ , loan or deposit  $i$  and counterparty  $j$ ,

$f_{i,j}$  = flow of interest for month  $m$ , loan or deposit  $i$  and counterparty  $j$ ,

$e_{i,j}$  = average outstanding amount for month  $m$ , loan or deposit  $i$  and counterparty  $j$ ,

$N$  = number of days in the month (31 in January, 28 or 29 in February, etc.).

### 2.2. Reporting population

All credit institutions on the list of MFIs and required to submit monthly tables of outstanding deposits and loans, and valuation tables are also required to report the basic data needed to calculate interest rates on outstanding amounts.

### 2.3. Classification of transactions and counterparties

Reporting entities are required to submit interest rates for all loans in the process of being repaid (and not fully repaid) up to maturity, excluding non-performing loans and loans that have been restructured at below market rates. In the case of deposits, statistics must be provided for all deposits entrusted to the credit institution (and not withdrawn) up to the date of closure of the account. The interest rates on outstanding amounts published by the BdF primarily relate to deposits and overdrafts (sight deposits, term deposits, overdrafts granted to households and NFCs, passbook savings accounts at market rates, housing savings plans).

In France, the interest rates on certain products (Livrets A, LDD, LEP, housing savings plans and accounts, etc.) are set by the government. The interest rate on outstanding amounts of these products will differ from the latest applicable rate as it is a weighted average of past rates.

## Annex 1. Comparison of Banque de France publications on loan interest rates

	<b>Stat Info flows of new loans and interest rates</b>	<b>Statistics on average effective interest rates and usury rates</b>	<b>Statistics on the cost of borrowing</b>
<b>Definition of new business</b>	See point 1.1	New business(see point 1.1) + contract renewals (including renewals by tacit consent) + use of revolving loans, overdraft facilities	New business (see point 1.1) + contract renewals (including renewals by tacit consent) + use of revolving loans, overdraft facilities
<b>Transactions covered</b>	All types of new loans (excluding sight deposits or deposits redeemable at notice up to 3 months, bank overdrafts, receivable loans, open-ended cash advances and factoring)	New unsubsidised loans, excluding leasing + use of revolving loan facilities, overdraft facilities and credit card loans	New unsubsidised loans, excluding leasing + use of revolving loan facilities, overdraft facilities and credit card loans
<b>Transactions excluded</b>	New loans to non-residents New loans in currencies other than the euro	New loans to non-residents New loans in currencies other than the euro Leasing and factoring New subsidised loans	New loans to non-residents New loans in currencies other than the euro Leasing and factoring New subsidised loans
<b>Frequency</b>	Monthly	Quarterly	Quarterly
<b>Reporting population</b>	249 institutions	249 institutions (including some 3,394 branches belonging to 114 generalist banks)	Only branches in the sample for the Eurosystem MFI interest rate statistics. This means that specialist institutions are not included.
<b>Calculation of average rates</b>	Average of narrowly defined effective rates (NDER) weighted by new loan amounts for all loans	Average of average percentage rates of charge (APRC) broken down by the categories defined in usury regulations.	Weighting in two stages:  - basic average calculated for each amount category using data from generalist banks;  - average weighted by the amount category;  - the rates used are the NDERs and the APRC.
<b>Treatment of loans where a third part subsidises the interest</b>	If the subsidy is recorded in the lender's financial statements, then it must be included in the interest rate, which is calculated from the point of view of the institution's total remuneration and effective cost.	Transactions excluded	Transactions excluded

	<b>Stat Info flows of new loans and interest rates</b>	<b>Statistics on average effective interest rates and usury rates</b>	<b>Statistics on the cost of borrowing</b>
<b>Published breakdowns</b>	- By counterparty category	- By counterparty category	- By counterparty
	Non-financial corporations, households (sole proprietors + individuals + non-profit institutions serving households)	1) Individuals 2) Legal persons with no industrial, commercial, skilled trade, farming or professional non-commercial activity. 3) Physical persons operating for their own professional needs and legal persons engaging in an industrial, commercial, skilled trade, farming or professional non-commercial activity.	Non-financial corporations and sole proprietors when the loans are granted for business purposes
	- By loan type		- By loan type
	Housing/consumer/ other loans (households)		Discounting/overdrafts/short-term loans/medium and long-term loans
	- By loan category (with guarantee)		- By amount category
	- By IFRP	- By loan type  Overdrafts/personal loans/housing loans/other loans	
		- By amount category	

## Annex 2. List of available documents on interest rate statistics

### Time series:

Economics and statistics > Databases > Access to interactive statistical series via the Webstat database > Economic concepts > Monetary statistics > [Interest rates France](#)

Economics and statistics > Databases > Access to interactive statistical series via the Webstat database > Publications > [Séries associées aux Statinfos](#)

### Monthly publications:

Stat Info – Flows of new loans to non-financial corporations and interest rates

Economics and statistics > Securities, loans and deposits > Loans > [Loans to non-financial corporations](#)

Stat Info – Flows of new loans to individuals and interest rates

Economics and statistics > Securities, loans and deposits > Loans > [Loans](#)

Stat Info – Interest rates on bank deposits

Economics and statistics > Securities, loans and deposits > Deposits > [Interest rates on bank deposits](#)

### Regulatory notices and technical notes on monthly new business statistics

*In French only.* Economics and statistics > Reporting information and access > Monetary and banking statistics > Dispositif réglementaire de la Banque de France > [Dispositif réglementaire applicable aux établissements de crédits](#)>Modalités techniques de déclaration et contrôle des remises des établissements de crédit

- Note technique DSMF n°2014-01: [Note technique DSMF n°2014-01](#)

- Annexe 5: Modèle des tableaux de flux et de taux d'intérêt sur les encours: [5](#)

- Annexe 6: Modèle des tableaux de taux d'intérêt sur les contrats nouveaux: [6](#)

### Information about the usury rate

Economics and statistics > Rates > [Usury rates](#)