

Department III

Zurich, 22 April 2015

**This is an English translation of a German original. Only the German original text is authoritative and legally binding.**

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## **Instruction sheet governing negative interest on sight deposit account balances**

### **1. General**

Based on art. 2.1.3 of its Terms of Business, the Swiss National Bank (SNB) charges negative interest (cf. section 3 below) on sight deposit account balances (cf. section 2 below), once the sight deposit account balance exceeds a certain exemption threshold (cf. section 4 below).

### **2. Scope of application**

Negative interest is charged on sight deposit account balances (cf. art. 2.1.1, Terms of Business) denominated in Swiss francs. The central Federal Administration and the compensation funds for old age and survivors' insurance, disability insurance and the fund for loss of earned income (AHV/AVS; IV/AI; EO/APG) are currently exempted.

### **3. Negative interest**

The interest rate is currently  $-0.75\%$  p.a.

Negative interest will be charged as of 22 January 2015 until further notice.

Negative interest is calculated according to the Actual/360 convention customary in the money market.

It is calculated on a daily basis. The negative interest is debited at the end of each month for the interest period of the previous month (cf. section 5 below).

### **4. Exemption threshold**

Negative interest is charged only on the portion of the sight deposit account balance which exceeds a certain threshold (exemption threshold).

The exemption threshold applies to each individual sight deposit account holder and shall be at least CHF 10 million.

Should a sight deposit account holder, in exceptional circumstances, hold more than one sight deposit account at the SNB, the threshold only applies once to the aggregate balance of all relevant accounts.

There are two methods:

### **Method 1: Minimum reserve-based threshold**

*For sight deposit account holders subject to minimum reserve requirements (domestic banks<sup>1</sup>):* The threshold currently corresponds to 20 times the minimum reserve requirement for the reporting period 20 October 2014–19 November 2014 (static component), minus any increase/plus any decrease in the amount of cash held (dynamic component). The change in the amount of cash held is calculated as the difference between the average cash holdings during the most recent reporting period for which the minimum reserve requirement is determined prior to the reference date (cf. section 5 below) and the cash holdings of the corresponding reporting period in a given reference period. The reference period spans the 12 reporting periods from 20 December 2013 to 19 December 2014 (**method 1a**).

*For domestic banks or bank-like domestic institutions which are not required to hold or report any minimum reserves:* The SNB determines the threshold in the same manner. These sight deposit account holders are required to provide the SNB with the necessary information (**method 1b**).

The threshold according to methods 1a and 1b, therefore, is calculated as follows:

Minimum reserve requirement of the reporting period 20 October 2014–19 November 2014 times 20 (static component).	
–/+	Increase/decrease in cash holdings resulting from comparison of cash holdings in current reporting period and corresponding reporting period in given reference period (dynamic component)
=	Exemption threshold

### **Method 2: Fixed threshold**

*For sight deposit account holders not subject to the minimum reserve requirement (e.g. foreign banks, securities dealers, cash processing facilities, clearing and settlement organisations, mortgage bond institutions, insurance companies, international organisations, central banks and decentralised units of the Swiss Federal Administration), the SNB sets a fixed threshold.*

<sup>1</sup> Banks as defined by the Federal Act on Banks and Savings Banks.

## 5. Calculation, debit and notification

Negative interest is calculated on a daily basis on the portion of the sight deposit account balance which exceeds the exemption threshold at the end of each calendar day (applies analogously for the aggregated balance of a sight deposit account holder with several accounts).

The negative interest for the interest period of the previous month is debited from the sight deposit account on the last value date of each month (reference date). If the sight deposit account holder has more than one sight deposit account, the SNB decides which of those accounts is to be debited (main account). The SNB is authorised to debit the account without prior notice.

The sight deposit account holder must ensure that, as of the reference date, the main account has sufficient cover for the debit of the negative interest.

For technical reasons, debiting the negative interest triggers a type F10 SIC transaction for participants in Swiss Interbank Clearing (SIC).

On the reference date, the sight deposit account holder is notified that the negative interest has been charged as follows: account statement via SWIFT (MT950) or physical statement for the main account plus a separate debit notice via SWIFT (MT900), or physical notice. In addition, the sight deposit account holder will receive a physical statement of interest calculation detailing the basis for calculation of the negative interest.