Negative interest rates

Fernando Conlledo
EFMLG, October 2014
New interest rates scenario: negative rates
Monetary policy (ECB): 
- Interbank deposit market

Legal documentation in international financial markets:
- LMA for international syndicated loans
- ISDA for derivative transactions
  - 2006 ISDA definitions
  - 2013 Best Practices for the OTC Derivatives Collateral Process
  - 2014 ISDA collateral agreement negative interest protocol
Retail markets (Spain):

- **Public Debt.** The Spanish Treasury has established that retail bids in Treasury auctions when the average interest rate is negative shall be considered as not made.

- **Commercial Loans:**
  - Commercial Code loans are deemed to include remuneration by way of interest.
  - Lender should receive the same amount of money lent.
  - Therefore, negative interest may not be claimed from lender.

- **Situation of loans with an added margin**
  - The negative interest rate decreases the margin?

- **Retail banking deposits:**
  - Obligation of the bank to return the same amount.
  - Interest is a remuneration of the deposit. Therefore, negative interest may not be claimed from the depositor.