

Negative Interests Explained

What does negative interest mean?

A negative interest rate occurs when a central bank reduces the nominal interest rate below zero percent in an effort to boost economic activity. This in turn results in a charge for banks to store reserves at the central bank rather than receiving positive interest income.

Why is Barclays introducing negative interest?

Over the last few years, several central banks have reduced their nominal interest rate below zero, which results in an increased cost for Barclays Bank Ireland PLC (the “Bank”) to provide deposit services in the relevant currencies. The Bank further expects that other central banks may also reduce their nominal interest rates below zero and that negative interest rates will persist in the future. Therefore, the Bank has decided to apply negative interest.

How is the negative interest calculated?

The Bank applies negative interest on accounts only in relation to certain selected currencies. Interest is calculated at rates determined by the Bank and subject to certain thresholds. The currencies in scope, as well as the applicable rates and thresholds and any other relevant conditions are subject to change in accordance with the Barclays Bank Ireland Terms.

Under current market conditions, the currencies in scope and applicable rates and thresholds are the following:

For accounts held in Euro (EUR):

Minimum balance at which negative interest will apply	Interest Rate	
EUR 5,000,000	Personal*	- 0.50%
	Non-Personal*	- 0.60%

For accounts held in Swiss Franc (CHF):

Minimum balance at which negative interest will apply	Interest Rate	
CHF 5,000,000	Personal and non-personal	- 0.75%

For accounts held in Danish Krone (DKK):

Minimum balance at which negative interest will apply	Interest Rate	
DKK 50,000,000	Personal and non-personal	- 0.65%

*Please note that different interest rates may apply to personal and non-personal clients as set out in the tables above. Personal accounts can also include joint accounts. Non-personal accounts include, without limitation, any corporate vehicles, investment vehicles or trusts.

The negative interest accrues on a daily basis and is calculated as follows:

$$\frac{\text{Balance on the account} \times \text{Rate}}{\text{Day Count}^{\wedge}}$$

[^]Day Count means 365 for accounts in Sterling and some other currencies and 360 for accounts in US Dollars, Euro and other currencies.

Calculation Example 1

If you have a personal Euro account where the balance fluctuates above and below the negative interest threshold, the negative interest will only apply for those days the account is above the minimum balance threshold. Negative interest is accrued daily but is debited to the account on a quarterly basis. If the balance in your account is below €5,000,000 then no negative interest will be calculated for those days.

Day	Euro Balance	Interest Rate	Daily Interest
01/06/2021	€4,999,999	0.00%	€0
02/06/2021	€5,000,000	- 0.50%	€69.44
03/06/2021	€3,000,000	0.00%	€0

Daily negative interest:

$$\frac{\text{Balance on the account (€5,000,000)} \times \text{negative interest (-0.50\%)}}{\text{Day Count (360)}^{**}} = \text{€69.44}$$

Calculation Example 2

If you have a non-personal account holding EUR 5,000,000, the negative interest you will pay is €30,416.67 per annum as shown below:

Euro Balance	Interest Rate	Annual Negative Interest
EUR 5,000,000	- 0.60%	€-30 416.67

For calculation purposes we have assumed a flat balance in the account for the full year.

Annual negative interest:

$$\frac{\text{Balance on the account (€5,000,000)} \times \text{negative interest rate (-0.60\%)} \times 365 \text{ days}}{\text{Day Count (360)}^{**}} = \text{€-30,416.67}$$

**Euro is calculated using a Day Count of 360 days per year.

When will interest be deducted your account(s)?

For each quarter, negative interest will be debited from your account on the first business day of the following quarter.