

# Liquidity Fee Explained

## What does negative interest mean?

A negative interest rate occurs when a central bank for a currency 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 a liquidity fee?

Over the last few years several banks have resorted to applying negative interest rates or a fee to their customer's bank accounts in currencies where they are being charged by the relevant central bank. Euro (EUR), Swiss Franc (CHF) and Danish Krone (DKK) currencies have been operating with negative interest rates for some time. This is an increased cost to Barclays to provide deposit services in these currencies and we expect that negative interest rates will persist even longer.

Barclays will apply a 'liquidity fee' to any current, currency or savings account balances that are equal to or exceed the minimum balance thresholds on selected currencies.

Under current market conditions, the currencies in scope and applicable thresholds and liquidity fees are shown in the tables below:

## What are the thresholds and interest rates used to calculate the liquidity fees?

For accounts held in Euro (EUR):

Minimum balance at which the liquidity fee will apply	How we calculate the liquidity fee	Current effective liquidity fee	
EUR 5,000,000	(European Central Bank Main Refinancing Rate less 0.50%) x-1	Personal*	$(0.00\% - 0.50\%) \times -1 = 0.50\%$
	(European Central Bank Main Refinancing Rate less 0.60%) x-1	Non-Personal*	$(0.00\% - 0.60\%) \times -1 = 0.60\%$

For accounts held in Swiss Franc (CHF):

Minimum balance at which the liquidity fee will apply	How we calculate the liquidity fee	Current effective liquidity fee	
CHF 5,000,000	(Swiss National Bank Key Policy Rate less 0.00%) x-1	Personal and non-personal	$(-0.75\% - 0.00\%) \times -1 = 0.75\%$

For accounts held in Danish Krone (DKK):

Minimum balance at which the liquidity fee will apply	How we calculate the liquidity fee	Current effective liquidity fee	
DKK 50,000,000	(Danish National Bank Certificates of Deposit Rate less 0.15%) x-1	Personal and non-personal	$(-0.60\% - 0.15\%) \times -1 = 0.75\%$

\*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.

## How is the liquidity fee calculated?

The liquidity fee accrues on a daily basis and is calculated as follows:

$$\frac{\text{Balance on the account} \times \text{liquidity fee (as set out above)}}{\text{Day Count}^{\wedge}}$$

<sup>^</sup>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 savings account where the balance fluctuates above and below the liquidity fee threshold, the liquidity fee will only apply for those days the account is above the minimum balance threshold. The liquidity fee 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 liquidity fee will be calculated for those days.

Day	Euro Balance	Liquidity fee	Daily Liquidity fee
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 liquidity interest:

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

### 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	Liquidity fee	Annual Liquidity fee
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 liquidity fee:

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

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

## When will liquidity fee be deducted from your account(s)?

For each quarter, the liquidity fee will be debited from your account fourteen days after a pre notification statement has been sent out to your correspondence address.

We are pleased to help our clients in any way possible. If you require documents in Braille, large print or audio, please contact us.

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