Decision (EU) 2020/614 of the European Central Bank of 30 April 2020 amending Decision (EU) 2019/1311 on a third series of targeted longer-term refinancing operations (ECB/2020/25)

DECISION (EU) 2020/614 OF THE EUROPEAN CENTRAL BANK

of 30 April 2020

amending Decision (EU) 2019/1311 on a third series of targeted longer-term refinancing operations (ECB/2020/25)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union, and in particular the first indent of Article 127(2) thereof,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank, and in particular the first indent of Article 3.1, Article 12.1, the second indent of Article 18.1 and the second indent of Article 34.1 thereof,

Having regard to Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (General Documentation Guideline) (ECB/2014/60)[(1)],

Whereas:

(1) Pursuant to Article 1(4) of Guideline (EU) 2015/510 (ECB/2014/60), the Governing Council may, at any time, change the tools, instruments, requirements, criteria and procedures for the implementation of Eurosystem monetary policy operations.

(2) On 22 July 2019, in pursuing its price stability mandate and to preserve favourable bank lending conditions and support the accommodative stance of monetary policy in Member States whose currency is the euro, the Governing Council adopted Decision (EU) 2019/1311 of the European Central Bank (ECB/2019/21)[(2)]. This Decision provided for a third series of targeted longer-term refinancing operations (TLTROs-III) to be conducted over the period from September 2019 to March 2021.

(3) On 12 March 2020, in order to support bank lending to those most affected by the spread of the coronavirus disease (COVID-19), in particular small and medium-sized enterprises, the Governing Council decided to change certain key parameters of TLTRO-III. On 16 March 2020, the Governing Council adopted Decision (EU) 2020/407 of the European Central Bank (ECB/2020/13)[(3)] to implement some of these changes. This Decision is necessary to implement the additional changes decided by the Governing Council, in particular to provide for a temporary reduction in interest rates applied to all TLTROs-III and to lower the lending performance threshold under certain conditions.

(4) As regards the decision to lower the lending performance threshold, the Governing Council decided, on 12 March 2020, that it should be reduced to 0% with respect to the

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period between 1 April 2020 and 31 March 2021. In order to also take into account the credit already provided by banks since the start of the coronavirus disease (COVID-19) crisis in Europe, the starting date of that period is moved to 1 March 2020 as decided on 30 April 2020, while the ending date remains unchanged at 31 March 2021. In addition, to cater for the expected decline in bank lending since 1 March 2020, the deviation from the benchmark outstanding amount to achieve the maximum discount through the previous lending performance criteria is reduced to 1.15% from 2.5%.

(5) Moreover, on 30 April 2020, in order to further support the provision of credit to households and firms in the face of the prevalent economic disruptions and heightened uncertainty, the Governing Council decided to provide for an additional temporary reduction in interest rates applied to all TLTROs-III under certain conditions.

(6) In order to apply these adjusted parameters with immediate effect, this Decision should enter into force without delay.

(7) Therefore, Decision (EU) 2019/1311 (ECB/2019/21) should be amended accordingly,

HAS ADOPTED THIS DECISION:

Article 1

Amendments

Decision (EU) 2019/1311 (ECB/2019/21) is amended as follows:

1. Article 1 is amended as follows:

(a) the following definitions are replaced:

(1) "benchmark net lending" means the amount of eligible net lending that a participant needs to exceed in the second reference period and, optionally, in the special reference period, in order to qualify for an interest rate on the participant's borrowing that is lower than the initial rate applied and which is calculated in accordance with the principles and the detailed provisions set out in Article 4 and Annex I, respectively;

(12) "interest rate incentive adjustment" means the reduction, if any, in the interest rate to be applied to amounts borrowed under TLTROs-III, expressed as a fraction of the average difference between the relevant maximum possible interest rate and the relevant minimum possible interest rate, as calculated in accordance with the detailed provisions set out in Annex I;

(b) the following definitions are added:

(23) "rest of the life of the respective TLTRO-III" means the period from the settlement date of the respective TLTRO-III until 23 June 2020 and the period from 24 June 2021 until its maturity date or early repayment date, as applicable, thus excluding the special interest rate period;

(24) "special interest rate period" means the period from 24 June 2020 to 23 June 2021;

(25) "special reference period" means the period from 1 March 2020 to 31 March 2021..

2. Article 5 is replaced by the following:

Article 5

Interest

1 The interest rate applicable to amounts borrowed under each TLTRO-III by participants whose eligible net lending during the special reference period equals or exceeds their benchmark net lending shall be calculated as follows, subject to the condition set out in Article 6(3a):

a during the special interest rate period, the interest rate shall be the average interest rate on the deposit facility over that period minus 50 basis points. The resulting interest rate shall not, in any case, be higher than minus 100 basis points; and

b during the rest of the life of the respective TLTRO-III, the interest rate shall be the average interest rate on the deposit facility over the life of the respective TLTRO-III.

2 The interest rate applicable to amounts borrowed under each TLTRO-III by participants whose eligible net lending during the special reference period is lower than their benchmark net lending but whose eligible net lending during the second reference period exceeds their benchmark net lending shall be calculated as follows:

a during the special interest rate period, the interest rate shall be the lower of the following rates: (i) the average interest rate on the main refinancing operations over that period minus 50 basis points; and (ii) the interest rate calculated depending on the deviation from the benchmark outstanding amount, as in point (b); and

b during the rest of the life of the respective TLTRO-III, the interest rate shall be lower than the average interest rate on the main refinancing operations over the life of the respective TLTRO-III and may be as low as the average interest rate on the deposit facility over the life of the respective TLTRO-III, depending on the deviation from the benchmark outstanding amount.

3 The interest rate applicable to amounts borrowed under each TLTRO-III by participants whose eligible net lending, both during the special reference period and also during the second reference period, is lower than their benchmark net lending shall be calculated as follows:

a during the special interest rate period, the interest rate shall be the average interest rate on the main refinancing operations over that period minus 50 basis points; and

b during the rest of the life of the respective TLTRO-III, the interest rate shall be the average interest rate on the main refinancing operations over the life of the respective TLTRO-III.

4 Further details on interest rate calculations are laid down in Annex I. The final interest rate and the relevant data pertaining to its calculation shall be

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communicated to participants in accordance with the indicative calendar for TLTROs-III published on the ECB's website.

5 Interest shall be settled in arrears on the maturity of each TLTRO-III or on early repayment as provided for in Article 5a, as applicable.

6 If, due to the exercise of remedies available to an NCB in accordance with its contractual or regulatory arrangements, a participant is required to repay the TLTRO-III outstanding amounts before the deviation from the benchmark outstanding amount and the resulting interest rate incentive adjustment, if any, are communicated to that participant, the interest rate applicable to the amounts borrowed by that participant under each TLTRO-III shall be: (a) for the special interest rate period, the average interest rate on the main refinancing operations over that period minus 50 basis points; and (b) for the rest of the life of the respective TLTRO-III, the average rate on the main refinancing operation over the life of the respective TLTRO-III up to the date on which the repayment was required to be made by the NCB. If such repayment is required after the deviation from the benchmark outstanding amount and the resulting interest rate incentive adjustment, if any, have been communicated to the participant, the interest rate applicable to the amounts borrowed by that participant under each TLTRO-III shall be set in accordance with paragraphs 1 to 3..

3. Article 6 is amended as follows:

(a) paragraph 1(b) is replaced by the following:

(b) data relating to (i) the second reference period and, (ii) optionally, to the special reference period, for the purposes of determining the applicable interest rates (hereinafter referred to as the 'second report').;

(b) paragraph 3a is added:

3a. Participants intending to take advantage of the interest rates set out in Article 5(1) shall exercise this option by separately providing, in the second report, the data relating to the special reference period, as well as the results of the auditor's evaluation of these data pursuant to Article 6(6)(b). If these conditions are not fulfilled, the interest rate applicable to the amounts borrowed by the participants shall be calculated pursuant to Article 5(2) or (3). No sanctions shall apply for the non-transmission of the data relating to the special reference period and/or the results of its respective auditor's evaluation.;

(c) the first sub-paragraph of paragraph 6 is replaced by the following:

6. Each participant shall ensure that the quality of the data submitted pursuant to paragraphs 1 to 3a is evaluated by an external auditor in accordance with the following rules:;

(d) the first sub-paragraph of point (c) of paragraph 6 is replaced by the following:

(c) the auditor's evaluations shall focus on the requirements set out in paragraphs 2, 3a and 4. In particular, the auditor shall:.

4. In Article 7(1), points (b), (d) and (e) are replaced by the following:

(b) If a participant fails to make the results of the auditor's evaluation of the first report available to the relevant NCB by the relevant deadline specified in the indicative calendar for TLTROs-III published on the ECB website, the participant shall repay all the outstanding amounts borrowed under TLTRO-III on the settlement day of the next main refinancing operation at the average rate on the main refinancing operation over the life of each respective TLTRO until the settlement day of the repayment, except during the special interest rate period, when the average rate on the main refinancing operation over such period minus 50 basis points shall apply.

(d) If a participant fails to make the results of the auditor's evaluation of data relating to the second reference period in the second report available to the relevant NCB by the relevant deadline, the average rate on the main refinancing operation over the life of each respective TLTRO-III shall apply to the amounts borrowed by that participant under TLTROs-III, except during the special interest rate period, when the average rate on the main refinancing operation over such period minus 50 basis points shall apply.

(e) If a participant fails to otherwise comply with the obligations set out in Article 6(6) or (7), the average rate on the main refinancing operation over the life of each respective TLTRO-III shall apply to the amounts borrowed by that participant under TLTROs-III, except during the special interest rate period, when the average rate on the main refinancing operation over such period minus 50 basis points shall apply..

5. Annexes I and II are amended in accordance with the Annex to this Decision.

Article 2

Entry into force

This Decision shall enter into force on 5 May 2020.

Done at Frankfurt am Main, 30 April 2020.

For the Governing Council of the ECB

The President of the ECB

Christine LAGARDE