

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 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.

(¹) OJ L 91, 2.4.2015, p. 3.

(²) Decision (EU) 2019/1311 of the European Central Bank of 22 July 2019 on a third series of targeted longer-term refinancing operations (ECB/2019/21) (OJ L 204, 2.8.2019, p. 100).

(³) Decision (EU) 2020/407 of the European Central Bank of 16 March 2020 amending Decision (EU) 2019/1311 on a third series of targeted longer-term refinancing operations (ECB/2020/13) (OJ L 80, 17.3.2020, p. 23).

(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 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

ANNEX

Annexes I, II and the TLTRO-III reporting table B are amended as follows:

1. In Annex I, Section 3 is replaced by the following:

3. Calculation of the interest rate

- A. Let $NL_{Special}$ denote the amount of eligible net lending over the special reference period from 1 March 2020 to 31 March 2021.

$$NL_{Special} = NL_{Mar2020} + \dots + NL_{Mar2021}$$

- B. Let $NS_{Mar2021}$ denote the amount obtained by summing the eligible net lending over the period 1 April 2019 to 31 March 2021 and the outstanding amount of eligible loans as at 31 March 2019; this is calculated as:

$$NS_{Mar2021} = OL_{Mar2019} + NL_{Apr2019} + \dots + NL_{Mar2021}.$$

Denote now by EX the percentage deviation of $NS_{Mar2021}$ from the benchmark outstanding amount over the period 1 April 2019 to 31 March 2021, that is,

$$EX = \frac{(NS_{Mar2021} - OAB)}{OAB} \times 100$$

EX will be rounded to 15 decimal positions. Where OAB is equal to zero, EX is deemed to equal 1.15.

- C. Let \overline{MRO}_k be the average of the main refinancing operation (MRO) rate applicable over the life of TLTRO-III k and expressed as an annual percentage rate and let \overline{DF}_k be the average of the deposit facility (DF) rate applicable over the life of TLTRO-III k , where the applicable interest rate refers to the life of the respective TLTRO-III, and expressed as an annual percentage rate, i.e.:

$$\overline{MRO}_k = \frac{1}{n_k} \sum_{t=1}^{n_k} MRO_{k,t}$$

$$\overline{DF}_k = \frac{1}{n_k} \sum_{t=1}^{n_k} DF_{k,t}$$

In the above equations n_k (for $k=1,\dots,7$) denotes the number of days of the TLTRO-III k and, where the MRO is conducted under a fixed-rate full allotment regime, $MRO_{k,t}$ denotes the rate applied to the MRO on the t -th day of the TLTRO-III k , or, where the MRO is conducted under a variable-rate tender procedure, $MRO_{k,t}$ denotes the minimum bid rate applied to the MRO on the t -th day of the TLTRO-III k , and in each case is expressed as an annual percentage rate. In the above equations $DF_{k,t}$ denotes the rate applied to the deposit facility on the t -th day of the TLTRO-III k , and expressed as an annual percentage rate.

- D. Let $k_{special}$ denote the special interest rate period being the period from 24 June 2020 to 23 June 2021, and k_{rol} denote the two periods that constitute the rest of the life of the respective TLTRO-III k (referring to the period from the settlement date of the respective TLTRO-III until 23 June 2020 and the period from 24 June 2021 until the maturity of the respective TLTRO-III or until its early repayment date, as applicable).

Let $\overline{MRO}_{k_{special}}$ be the average of the MRO rate applicable during the special interest rate period from 24 June 2020 to 23 June 2021 of TLTRO-III k expressed as an annual percentage rate and let $\overline{F}_{k_{special}}$ be the average of the DF rate applicable during the special interest rate period from 24 June 2020 to 23 June 2021 of TLTRO-III k and in each case expressed as an annual percentage rate, i.e.:

$$\overline{MRO}_{k_{special}} = \frac{1}{n_{k_{special}}} \sum_{t=1}^{n_{k_j}} MRO_{k_{special},t}$$

$$\overline{DF}_{k_{special}} = \frac{1}{n_{k_{special}}} \sum_{t=1}^{n_{k_j}} DF_{k_{special},t}$$

In the above equations $n_{k_{special}}$ denotes the number of days of the period $k_{special}$ of the TLTRO-III k and, where the MRO is conducted under a fixed-rate full allotment regime, $MRO_{k_{special},t}$ denotes the rate applied to the MRO on the t -th day of the period $k_{special}$ of the TLTRO-III k , or, where the MRO is conducted under a variable-rate tender procedure, $MRO_{k_{special},t}$ denotes the minimum bid rate applied to the MRO on the t -th day of the period $k_{special}$ of the TLTRO-III k , and in each case is expressed as an annual percentage rate. In the above equations $DF_{k_{special},t}$ denotes the rate applied to the deposit facility on the t -th day of the period k_j of the TLTRO-III k , and expressed as an annual percentage rate.

- E. Let the interest rate incentive adjustment, where applicable, measured as a fraction of the average corridor between the \overline{MRO}_k and the \overline{DF}_k , be denoted iri ;
- F. Let the interest rate to be applied for the life of a TLTRO-III k (final interest rate), expressed as an annual percentage rate, be denoted r_k . Let the interest rate to be applied for a period k_j , with $j = special$ or rol , of a TLTRO-III k , expressed as an annual percentage rate, be denoted r_{k_j} .

G. The interest rate r_k is defined as:

$$r_k = \frac{n_{k_{special}}}{n_k} r_{k_{special}} + \frac{n_{k_{rol}}}{n_k} r_{k_{rol}}.$$

In the above equation $n_{k_{rol}}$ denotes the number of days of the period k_{rol} of the TLTRO-III k .

The interest rate applicable to each TLTRO-III k is calculated as follows:

(a) If a participant equals or exceeds its benchmark net lending in the special reference period, the interest rate to be applied to amounts borrowed by that participant under TLTROs-III is:

(i) during the special interest rate period: the average of the deposit facility rate over that period minus 50 basis points, which in any case must not exceed minus 100 basis points, that is:

If $NL_{Special} \geq NLB$, then $r_{k_{special}} = \min(\overline{DF}_{k_{special}} - 0.50, -1)$;

(ii) during the rest of the life of the respective TLTRO-III: the average of the deposit facility rate over the life of the respective TLTRO-III, that is:

if $NL_{Special} \geq NLB$, then $r_{k_{rol}} = \overline{DF}_k$

(b) If a participant does not equal or exceed its benchmark net lending in the special reference period but exceeds its benchmark outstanding amount of eligible loans during the second reference period by at least 1.15 %, the interest rate to be applied to amounts borrowed by that participant under TLTROs-III is:

(i) during the special interest rate period: the lower of the average of the main refinancing operation rate over that period minus 50 basis points and the average of the deposit facility rate over the life of the respective TLTRO-III, that is:

if $NL_{Special} < NLB$ and $EX \geq 1.15$, then $iri = 100\%$ and $r_{k_{special}} = \min(\overline{MRO}_{k_{special}} - 0.50, \overline{DF}_k)$;

(ii) during the rest of the life of the respective TLTRO-III: the average of the deposit facility rate over the life of the respective TLTRO-III, that is:

if $NL_{Special} < NLB$ and $EX \geq 1.15$, then $iri = 100\%$ and $r_{k_{rol}} = \overline{DF}_k$

(c) If a participant does not equal or exceed its benchmark net lending in the special reference period but exceeds its benchmark outstanding amount of eligible loans during the second reference period by less than 1.15 %, the interest rate to be applied to amounts borrowed by that participant under TLTROs-III is:

(i) during the special interest rate period: the lower of the average of the main refinancing operation rate over that period minus 50 basis points and the interest rate calculated according to point (ii) below, that is:

If $NL_{Special} < NLB$ and $0 < EX < 1.15$, then $iri = \frac{EX}{1.15}$ and

$$r_{k_{Special}} = \min(\overline{MRO}_{k_{Special}} - 0.50, \overline{MRO}_k - (\overline{MRO}_k - \overline{DF}_k) \times iri);$$

(ii) during the rest of the life of the respective TLTRO-III: the interest rate that is graduated linearly depending on the percentage by which the participant exceeds its benchmark outstanding amount, that is,

If $NL_{Special} < NLB$ and $0 < EX < 1.15$, then $iri = \frac{EX}{1.15}$ and

$$r_{k_{rol}} = \overline{MRO}_k - (\overline{MRO}_k - \overline{DF}_k) \times iri;$$

(d) If a participant does not equal or exceed its benchmark net lending in the special reference period nor does it exceed its benchmark outstanding amount in the second reference period, the interest rate to be applied to amounts borrowed by that participant under TLTROs-III is:

(i) during the special interest rate period: the average of the main refinancing operation rate over that period minus 50 basis points, that is:

If $NL_{Special} < NLB$ and $EX \leq 0$, then $r_{k_{Special}} = \overline{MRO}_{k_{Special}} - 0.50$;

(ii) during the rest of the life of the respective TLTRO-III: the average of the main refinancing operation rate over the life of the respective TLTRO-III, that is:

if $NL_{Special} < NLB$ and $EX \leq 0$, then $iri = 0\%$ and $r_{k_{rol}} = \overline{MRO}_k$

The interest rate incentive adjustment (iri) will be expressed by rounding to 15 decimal positions.

The interest rates $r_{k_{Special}}$ and $r_{k_{rol}}$ will be expressed by rounding to 15 decimal positions.

The final interest rate r_k will be expressed as an annual percentage rate, rounded down to the fourth decimal position.'

2. Annex II is amended as follows:

(a) in Section 2, the following sub-paragraph is inserted after the first sub-paragraph:

'In the event that participants intend to take advantage of the interest rates set out in Article 5(1), the second report shall additionally also cover data relating to the special reference period on a similar basis to the requirements for the second reference period.';

(b) in Section 2, the second paragraph is replaced by the following:

'As regards the use of the collected information, data on the reference outstanding amount will be used to determine the borrowing allowance. In addition, data on eligible net lending during the first reference period will be used for the calculation of the benchmark net lending and the benchmark outstanding amount. Meanwhile data on eligible net lending during the second reference period and, if applicable, the special reference period, will be used to assess the lending developments and, consequently, the interest rates applicable. All other indicators are necessary to verify the internal consistency of the information and its consistency with the statistical data collected within the Eurosystem, as well as for in-depth monitoring of the impact of the TLTRO-III programme.';

(c) in Section 3, the second indent of the second paragraph of point (a) is replaced by the following:

'— The second report requires the completed data template B for the 'second reference period', i.e. 1 April 2019 to 31 March 2021, for the purposes of calculating the eligible net lending and the comparisons against benchmarks on which the applicable interest rates are based.'

- Participants intending to take advantage of the interest rates set out in Article 5(1) must in addition provide the completed data template B for the 'special reference period', i.e. 1 March 2020 to 31 March 2021, for the purposes of calculating the eligible net lending and the comparisons against the benchmark net lending on which the lower interest rates are based.';

(d) in Section 3, the third paragraph of point (a) is replaced by the following:

'In template B, indicators relating to outstanding amounts must be reported as at the end of the month preceding the start of the reporting period and as at the end of the reporting period; therefore, for the first reference period outstanding amounts must be reported as at 31 March 2018 and 31 March 2019; for the second reference period outstanding amounts must be reported as at 31 March 2019 and 31 March 2021; for the special reference period outstanding amounts must be reported as at 29 February 2020 and 31 March 2021. In turn, data on transactions and adjustments must cover all relevant effects that take place during the reporting period.';

(e) The TLTRO-III reporting template B is replaced by the following template B.

‘LTRO-III reporting template B

Reporting period: 1 April 2018 to 31 March 2019 (first reference period) / 1 April 2019 to 31 March 2021 (second reference period) / optionally: 1 March 2020 to 31 March 2021 (special reference period)

Loans to non-financial corporations and households, excluding loans to households for house purchase (EUR thousands)

	Loans to non-financial corporations	Loans to households (including non-profit institutions serving households), excluding loans for house purchase	item	formula	validation
Main aggregates					
1 Outstanding amounts of eligible loans at the end of the month preceding the start of the reporting period.....	0	0	1	1 = 1.1 - 1.2 (+1.3)	
2 Eligible net lending in the reporting period.....	0	0	2	2 = 2.1 - 2.2	
3 Adjustments to the outstanding amounts: reductions (-) and increases (+).....	0	0	3	3 = 3.1 + 3.2	
4 Outstanding amounts of eligible loans at the end of the reporting period.....	0	0	4	4 = 4.1 - 4.2 (+4.3)	4 = 1 + 2 + 3
Underlying items					
Outstanding amounts of eligible loans at the end of the month preceding the start of the reporting period					
1.1 Outstanding amounts on the balance sheet.....			1.1		
1.2 Outstanding amounts of loans securitised or otherwise transferred but not derecognised from the balance sheet.....			1.2		
1.3 Outstanding provisions against loans reported in item 1.1 excluding 1.2 *.....			1.3		
Eligible net lending in the reporting period					
2.1 Gross lending.....			2.1		
2.2 Repayments.....			2.2		
Adjustments to the outstanding amounts: reductions (-) and increases (+)					
3.1 Loan sales and purchases and other loan transfers during the reporting period.....	0	0	3.1	3.1 = 3.1A + 3.1B + 3.1C	
3.1A Net flows of loans that are securitised with an impact on loan stocks.....			3.1A		
3.1B Net flows of loans that are otherwise transferred with an impact on loan stocks.....			3.1B		
3.1C Net flows of loans that are securitised or otherwise transferred without an impact on loan stocks.....			3.1C		
3.2 Other adjustments.....	0	0	3.2	3.2 = 3.2A + 3.2B + 3.2C	
3.2A Revaluations owing to changes in exchange rates.....			3.2A		
3.2B Write-offs/write-downs.....			3.2B		
3.2C Reclassifications.....			3.2C		
Outstanding amounts of eligible loans at the end of the reporting period					
4.1 Outstanding amounts on the balance sheet.....			4.1		
4.2 Outstanding amounts of loans securitised or otherwise transferred but not derecognised from the balance sheet.....			4.2		
4.3 Outstanding provisions against loans reported in item 4.1 excluding 4.2 *.....			4.3		

* Only applicable in those cases where loans are reported net of provisions; see the reporting instructions for more details.'