

II

(Non-legislative acts)

DECISIONS

DECISION (EU) [2021/1074] OF THE EUROPEAN CENTRAL BANK

of 18 June 2021

on the temporary exclusion of certain exposures to central banks from the total exposure measure in view of the COVID-19 pandemic and repealing Decision (EU) 2020/1306 (ECB/2021/27)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions ⁽¹⁾ and in particular Article 4(1)(d) thereof,

Having regard to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ⁽²⁾, and in particular Article 429a thereof,

Whereas:

- (1) The Basel III framework introduced a simple, transparent, non-risk-based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements. The leverage ratio standard published by the Basel Committee on Banking Supervision (BCBS) in December 2017 (hereinafter referred to as the 'BCBS standard on the leverage ratio') provides that in order to facilitate the implementation of monetary policies, a jurisdiction may, at its discretion, temporarily exempt central bank reserves from the leverage ratio exposure measure in exceptional macroeconomic circumstances.
- (2) The BCBS standard on the leverage ratio was first implemented in Union legislation by Regulation (EU) No 575/2013. Article 430 of Regulation (EU) No 575/2013 requires institutions to report to the competent authorities certain information on their leverage ratio and its components, while Article 451 of that Regulation requires institutions to disclose certain information regarding their leverage ratio and their management of the risk of excessive leverage.
- (3) Regulation (EU) No 575/2013 was amended by Regulation (EU) 2019/876 of the European Parliament and of the Council ⁽³⁾, inter alia, to reflect revisions that were made to the BCBS standard on the leverage ratio so as to ensure a level playing field internationally for institutions established inside the Union but operating outside the Union, and to ensure that the leverage ratio remains an effective complement to risk-based own funds requirements. Regulation (EU) 2019/876 introduced a leverage ratio requirement to complement the system of reporting and disclosure of the

⁽¹⁾ Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).

⁽²⁾ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

⁽³⁾ Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (OJ L 150, 7.6.2019, p. 1).

leverage ratio. That Regulation amended Article 429a of Regulation (EU) No 575/2013 in order to introduce the possibility of temporarily excluding certain exposures to central banks from the calculation of an institution's total exposure measure in exceptional circumstances and in order to facilitate the implementation of monetary policies. The leverage ratio requirement should be recalibrated commensurately to offset the impact of the exclusion. Such recalibration should ensure the exclusion of risks to financial stability affecting the relevant banking sectors, and that the resilience provided by the leverage ratio is maintained. These amendments to the leverage ratio framework, including the discretion to exclude certain exposures to central banks from the total exposure measure, will become applicable on 28 June 2021.

- (4) Regulation (EU) No 575/2013 has since been further amended by Regulation (EU) 2020/873 of the European Parliament and of the Council ⁽⁴⁾, inter alia, to provide that for the purposes of recalibration of the leverage ratio requirement, the competent authorities are to determine the date when the exceptional circumstances are deemed to have started, after consultation with the relevant central bank, and publicly announce that date.
- (5) In view of the COVID-19 pandemic, the European Central Bank (ECB) determined on 16 September 2020 that exceptional circumstances exist that warrant the exclusion of the central bank exposures listed in points (a) and (b) of Article 500b(1) of Regulation (EU) No 575/2013 from the total exposure measure in order to facilitate the implementation of monetary policies ⁽⁵⁾. The exclusion of those exposures applies until 27 June 2021.
- (6) Due to the COVID-19 pandemic and the resulting and ongoing need for a high degree of monetary policy accommodation, which in turn crucially relies on the undeterred functioning of the bank-based transmission channel of monetary policy, the Governing Council considers that such exceptional circumstances warrant the temporary exclusion (until 31 March 2022) of certain exposures to Eurosystem central banks from the calculation of institutions' total exposure measures pursuant to Article 429a(5) of Regulation (EU) No 575/2013.
- (7) It is expected that the exclusion of certain central bank exposures from the total exposure measure pursuant to Article 429a(5) of Regulation (EU) No 575/2013 until 31 March 2022 will support credit institutions in continuing to fulfil their role in funding the real economy while preserving the key elements of the prudential regulatory framework during the exceptional period of the COVID-19 pandemic. The end date of 31 March 2022 was chosen to facilitate the implementation of the exceptional monetary policy measures linked to the situation resulting from the COVID-19 pandemic, including the currently envisaged horizon of net purchases under the Pandemic Emergency Purchase Programme (PEPP).
- (8) The date when the exceptional circumstances are deemed to have started is determined on the basis of the last quarter-end before the start of monetary policy measures linked to the COVID-19 pandemic. The ECB announced easing of conditions for targeted longer-term refinancing operations (TLTRO III) on 12 March 2020 to support the continued access of firms and households to bank credit in the face of disruptions and temporary funding shortages associated with the COVID-19 pandemic. The ECB also announced a EUR 750 billion PEPP on 18 March 2020 to counter the serious risks of disruption to the monetary policy transmission mechanism and the outlook for the euro area posed by the pandemic. The date when the exceptional circumstances are deemed to have started is therefore set to 31 December 2019.

⁽⁴⁾ Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic (OJ L 204, 26.6.2020, p. 4).

⁽⁵⁾ Decision (EU) 2020/1306 of the European Central Bank of 16 September 2020 on the temporary exclusion of certain exposures to central banks from the total exposure measure in view of the COVID-19 pandemic (ECB/2020/44) (OJ L 305, 21.9.2020, p. 30).

- (9) The exposures that may be excluded comprise coins and banknotes constituting legal currency in the jurisdiction of the central bank and assets representing claims on the central bank – including reserves held at the central bank – insofar as these exposures are relevant for the transmission, and therefore, implementation of monetary policy. Such exposures include deposits held in the deposit facility and balances held on reserve accounts with the Eurosystem, including funds held in order to meet minimum reserve requirements. Exposures representing claims on the central bank that are not related to the implementation of monetary policy should not be excluded from the total exposure measure.
- (10) The ECB, in its monetary policy function, was consulted in accordance with Article 429a(5) of Regulation (EU) No 575/2013 on the determination of exceptional circumstances warranting the exclusion of certain exposures and the date when the exceptional circumstances are deemed to have started ⁽⁶⁾.
- (11) Article 500b of Regulation (EU) No 575/2013 on which Decision (EU) 2020/1306 (ECB/2020/44) is based applies until 27 June 2021. It is therefore necessary to repeal Decision (EU) 2020/1306 (ECB/2020/44).

HAS ADOPTED THIS DECISION:

Article 1

Definitions

For the purposes of this Decision, the definitions in Regulation (EU) No 575/2013 apply. The following definitions also apply:

- (1) 'Eurosystem' means 'Eurosystem' as defined in Article 2(29) of Guideline (EU) 2015/510 of the European Central Bank (ECB/2014/60) ⁽⁷⁾;
- (2) 'deposit facility' means 'deposit facility' as defined in Article 2(21) of Guideline (EU) 2015/510 (ECB/2014/60);
- (3) 'reserve accounts' means 'reserve accounts' as defined in Article 2(7) of Regulation (EU) 2021/378 of the European Central Bank (ECB/2021/1) ⁽⁸⁾;
- (4) 'minimum reserve requirements' means 'minimum reserve requirements' as defined in Article 2(2) of Regulation (EU) 2021/378 (ECB/2021/1);
- (5) 'significant supervised entity' means a 'significant supervised entity' as defined in Article 2(16) of Regulation (EU) No 468/2014 of the European Central Bank (ECB/2014/17) ⁽⁹⁾.

Article 2

Determination of the existence of exceptional circumstances

1. For the purposes of Article 429a(5) of Regulation (EU) No 575/2013, the ECB has determined that, subject to paragraphs 2 to 5 of this Article, exceptional circumstances exist that warrant the exclusion of the central bank exposures listed in points (i) and (ii) of Article 429a(1)(n) of that Regulation from the total exposure measure in order to facilitate the implementation of monetary policies.
2. The exceptional circumstances are deemed to have started on 31 December 2019.

⁽⁶⁾ <https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr210618~08d3c92b21.en.html>

⁽⁷⁾ Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60) (OJ L 91, 2.4.2015, p. 3).

⁽⁸⁾ Regulation (EU) 2021/378 of the European Central Bank of 22 January 2021 on the application of minimum reserve requirements (ECB/2021/1) (OJ L 73, 3.3.2021, p. 1).

⁽⁹⁾ Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation) (ECB/2014/17) (OJ L 141, 14.5.2014, p. 1).

3. With regard to the exposures listed in point (ii) of Article 429a(1)(n) of Regulation (EU) No 575/2013, the determination shall apply to those exposures to Eurosystem central banks that relate to deposits held in the deposit facility or to balances held on reserve accounts, including funds held in order to meet minimum reserve requirements.
4. Paragraph 1 shall apply for a period starting on 28 June 2021 and ending on 31 March 2022.
5. The determination referred to in paragraph 1 shall apply in relation to any institution that is a significant supervised entity established in a euro area Member State.

Article 3

Repeal

Decision (EU) 2020/1306 (ECB/2020/44) is repealed with effect from 28 June 2021.

Article 4

Entry into force

This Decision shall enter into force on 28 June 2021.

Done at Frankfurt am Main, 18 June 2021.

The President of the ECB
Christine LAGARDE
