March 12, 2020, ECB Press Conference – What changed from January 23, 2020?

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Summary

- The Coronavirus has been a major shock to the growth prospects of the global and euro area economies and has heightened market volatility. Even if temporary, it will have a significant impact. The latest indicators suggest a considerable worsening of the near-term growth outlook. The disruption of supply chains is impeding production plans in the manufacturing sector, while necessary containment measures against the further spread of the coronavirus are adversely affecting economic activity. (**new**)
- Adding a comprehensive package of monetary policy measures to the substantial monetary policy stimulus already in place will support liquidity and funding conditions for households, businesses and banks and help to preserve the smooth provision of credit to the real economy. (**new**)
- Action One - provide an effective backstop: conduct, temporary, additional, longer-term refinancing operations (LTROs) to provide immediate liquidity support to the euro area financial system. The LTROs will provide liquidity at favourable terms to bridge the period until the TLTRO III operation in June 2020. (**new**)
- Action Two - support bank lending to those affected most by the spread of the coronavirus - apply considerably more favourable terms during the period from June 2020 to June 2021 to all TLTRO III operations outstanding during that same time. (**new**)
- Action Three - support favourable financing conditions for the real economy - add additional temporary net asset purchases of €120 billion until the end of the year. (**new**)
- Keep rates at present or lower levels until the inflation outlook robustly converges to a level sufficiently close to, but below, 2%. (**no change**)
- Maintain net purchases under the asset purchase programme (APP) for as long as necessary and to end shortly before raising key ECB interest rates. (**no change**)
- An ambitious and coordinated fiscal stance is now needed in view of the weakened outlook and to safeguard against the further materialisation of downside risks. (**new**)
- Projections foresee very muted growth in 2020H1, followed by an improvement in 2020H2. Compared with the December 2019 Eurosystem staff macroeconomic projections, the outlook for real GDP growth has been revised down notably for 2020 and slightly for 2021, on account of the potential economic impact of the coronavirus outbreak. (**new**)
- The implications of the coronavirus for inflation are surrounded by high uncertainty, given that downward pressures linked to weaker demand may be offset by upward pressures related to supply disruptions. The recent sharp decline in oil prices poses significant downside risks to the short-term inflation outlook. (**new**)

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PRESS CONFERENCE

Monetary policy decisions

12 March 2020

At today's meeting the Governing Council decided on a comprehensive package of monetary policy measures:

(1) Additional longer-term refinancing operations (LTROs) will be conducted, temporarily, to provide immediate liquidity support to the euro area financial system. Although the Governing Council does not see material signs of strains in money markets or liquidity shortages in the banking system, these operations will provide an effective backstop in case of need. They will be carried out through a fixed rate tender procedure with full allotment, with an interest rate that is equal to the average rate on the deposit facility. The LTROs will provide liquidity at favourable terms to bridge the period until the TLTRO III operation in June 2020.

(2) In TLTRO III, considerably more favourable terms will be applied during the period from June 2020 to June 2021 to all TLTRO III operations outstanding during that same time. These operations will support bank lending to those affected most by the spread of the coronavirus, in particular small and medium-sized enterprises. Throughout this period, the interest rate on these TLTRO III operations will be 25 basis points below the average rate applied in the Eurosystem's main refinancing operations. For counterparties that maintain their levels of credit provision, the rate applied in these operations will be lower, and, over the period ending in June 2021, can be as low as 25 basis points below the average interest rate on the deposit facility. Moreover, the maximum total amount that counterparties will henceforth be entitled to borrow in TLTRO III operations is raised to 50% of their stock of eligible loans as at 28 February 2019. In this context, the Governing Council will mandate the Eurosystem committees to investigate collateral easing measures to ensure that counterparties continue to be able to make full use of the funding support.

(3) A temporary envelope of additional net asset purchases of €120 billion will be added until the end of the year, ensuring a strong contribution from the private sector purchase programmes. In combination with the existing asset purchase programme (APP), this will support favourable financing conditions for the real economy in times of heightened uncertainty.

The Governing Council continues to expect net asset purchases to run for as long as necessary to reinforce the accommodative impact of its policy rates, and to end shortly before it starts raising the key ECB interest rates.

(4) The interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at

0.00%, 0.25% and -0.50% respectively. The Governing Council expects the key ECB interest rates to remain at their present or lower levels until it has seen the inflation outlook robustly converge to a level sufficiently close to, but below, 2% within its projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics.

(5) Reinvestments of the principal payments from maturing securities purchased under the APP will continue, in full, for an extended period of time past the date when the Governing Council starts raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

Further details on the precise terms of the new operations will be published in dedicated press releases this afternoon at 15:30 CET.

The President of the ECB will comment on the considerations underlying these decisions at a press conference starting at 14:30 CET today.

https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.mp200312~8d3aec3ff2.en.html

PRESS CONFERENCE

Christine Lagarde, President of the ECB,
Luis de Guindos, Vice-President of the ECB,
Frankfurt am Main, 23 January 2020

Ladies and gentlemen, the Vice-President and I are very pleased to welcome you to our press conference. We will now report on the outcome of today's meeting of the Governing Council**, which was also attended by the Commission Executive Vice-President, Mr Dombrovskis**.

~~Based on our regular economic and monetary analyses, we~~ **Since our last Governing Council meeting in late January, the spread of the coronavirus (COVID-19) has been a major shock to the growth prospects of the global and euro area economies and has heightened market volatility. Even if ultimately temporary in nature, it will have a significant impact on economic activity. In particular, it will slow down production as a result of disrupted supply chains and reduce domestic and foreign demand, especially through the adverse impact of the necessary containment measures. In addition, the heightened uncertainty negatively affects expenditure plans and their financing. Governments and all other policy institutions are called upon to take timely and targeted actions to address the public health challenge of containing the spread of the coronavirus and mitigate its economic impact. In particular, an ambitious and coordinated fiscal policy response is required to support businesses and workers at risk. The Governing Council strongly supports the commitment of euro area governments and the European Institutions to joint and coordinated policy action in response to the repercussions of the spread of the coronavirus. We also welcome the decisions taken by the ECB's Supervisory Board, which are detailed in a separate press release published earlier today.**

In line with our mandate, the Governing Council is determined to support households and firms in the face of the current economic disruptions and heightened uncertainty. Accordingly, we decided on a comprehensive package of monetary policy measures. Together with the substantial monetary policy stimulus already in place, these measures will support liquidity and funding conditions for households, businesses and banks and will help to preserve the smooth provision of credit to the real economy.

First, we decided to conduct, temporarily, additional longer-term refinancing operations (LTROs) to provide immediate liquidity

support to the euro area financial system. Although we do not see material signs of strains in money markets or liquidity shortages in the banking system, these operations will provide an effective backstop in case of need. They will be carried out through a fixed rate tender procedure with full allotment, with an interest rate that is equal to the average rate on the deposit facility. The LTROs will provide liquidity at favourable terms to bridge the period until the TLTRO III operation in June 2020.

Second, the Governing Council decided to apply considerably more favourable terms during the period from June 2020 to June 2021 to all TLTRO III operations outstanding during that same time. These operations will support bank lending to those affected most by the spread of the coronavirus, in particular small and medium-sized enterprises. Throughout this period, the interest rate on these TLTRO III operations will be 25 basis points below the average rate applied in the Eurosystem's main refinancing operations. For counterparties that maintain their levels of credit provision, the rate applied in these operations will be lower, and, over the period ending in June 2021, can be as low as 25 basis points below the average interest rate on the deposit facility. Moreover, the maximum total amount that counterparties will henceforth be entitled to borrow in TLTRO III operations is raised to 50% of their stock of eligible loans as at 28 February 2019. In this context, the Governing Council will mandate the Eurosystem committees to investigate collateral easing measures to ensure that counterparties continue to be able to make full use of our funding support.

Third, we decided to add a temporary envelope of additional net asset purchases of €120 billion until the end of the year, ensuring a strong contribution from the private sector purchase programmes. In combination with the existing asset purchase programme (APP), this will support favourable financing conditions for the real economy in times of heightened uncertainty. We continue to expect net asset purchases to run for as long as necessary to reinforce the accommodative impact of our policy rates, and to end shortly before we start raising the key ECB interest rates.

In addition, the Governing Council decided to keep the **key ECB interest rates** unchanged. We expect them to remain at their present or lower levels until we have seen the inflation outlook robustly converge to a level sufficiently close to, but below, 2% within our projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics.

~~We will continue to make net purchases under our asset purchase programme (APP) at a monthly pace of €20 billion. We expect them to run for as long as necessary to reinforce the accommodative impact of our policy rates, and to end shortly before we start raising the key ECB interest rates.~~

We also intend to continue reinvesting, in full, the principal payments from maturing securities purchased under the APP for an extended period of time past the date when we start raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

~~Today the Governing Council also decided to launch a review of the ECB's monetary policy strategy.~~ Further details ~~about~~ **on** the ~~scope and timetable~~ **precise terms** of ~~the review~~ **our new operations** will be published in ~~a~~ **dedicated** press ~~release today~~ **releases this afternoon** at 15:30 CET.

~~The incoming data since our last meeting are in line with our baseline scenario of ongoing, but moderate, growth of the euro area economy. In particular, the weakness in the manufacturing sector remains a drag on euro area growth momentum. However, ongoing, albeit decelerating, employment growth and increasing wages continue to support the resilience of the euro area economy. While inflation developments remain subdued overall, there are some signs of a moderate increase in underlying inflation in line with expectations.~~

~~The unfolding monetary policy measures are underpinning favourable financing conditions for all sectors of the economy. In particular, easier borrowing conditions for firms and households are supporting consumer spending and business investment. This will sustain the euro area expansion, the build-up of domestic price pressures and, thus, the robust convergence of inflation to our medium-term aim.~~

~~At the same time, in the light of the continued subdued inflation outlook, monetary policy has to remain highly accommodative for a prolonged period of time to support underlying inflation pressures and headline inflation developments over the medium term. We will, therefore, closely monitor inflation developments and the impact of the unfolding monetary policy measures on the economy. Our forward guidance will ensure that financial conditions adjust in accordance with changes to the inflation outlook. In any case, the Governing Council continues to stand~~ **In view of current developments, the Governing Council will continue to monitor closely the implications of the spread of the coronavirus for the economy, for medium-term inflation and for the transmission of its monetary policy. The Governing Council stands** ready to adjust all of its

instruments, as appropriate, to ensure that inflation moves towards its aim in a sustained manner, in line with its commitment to symmetry.

Let me now explain our assessment in greater detail, starting with the **economic analysis**. ~~Euro area~~ **The latest indicators suggest a considerable worsening of the near-term growth outlook. The disruption of supply chains is impeding production plans in the manufacturing sector, while necessary containment measures against the further spread of the coronavirus are adversely affecting economic activity. Before the coronavirus outbreak, euro area** real GDP ~~increased by~~ **growth moderated to 0.1**~~3~~%, quarter on quarter, in the ~~third~~ **fourth** quarter of 2019, following growth of 0.**3**~~2~~% in the ~~second~~ **third** quarter. This ~~pattern of moderate growth reflects~~ **mainly reflected** the ongoing weakness ~~of international trade in an environment of continued global uncertainties, which has particularly affected the~~ euro area manufacturing sector and ~~has also dampened~~ **slowing** investment growth. ~~At the same time, the services and construction sectors remain more resilient, despite some moderation in the latter half of 2019. Incoming economic data and survey information point to some stabilisation in~~ **Looking beyond the disruption stemming from the coronavirus,** euro area growth ~~dynamics, with near-term growth~~ **is** expected to ~~be similar to rates observed in previous quarters. Looking ahead, the euro area expansion will continue to be~~ **regain traction over the medium term** supported by favourable financing conditions, ~~further employment gains in conjunction with rising wages,~~ the ~~mildly expansionary~~ euro area fiscal stance and the ~~ongoing – albeit somewhat slower – growth~~ **expected resumption** in global activity.

This assessment is only partly reflected in the March 2020 ECB staff macroeconomic projections for the euro area, as their data cut-off date predates the most recent rapid spread of the coronavirus to the euro area. These projections foresee annual real GDP increasing by 0.8% in 2020, 1.3% in 2021 and 1.4% in 2022. In particular, the projections foresee very muted growth in the first half of 2020, followed by an improvement in the second half of the year. Compared with the December 2019 Eurosystem staff macroeconomic projections, the outlook for real GDP growth has been revised down notably for 2020 and slightly for 2021, on account of the potential economic impact of the coronavirus outbreak.

The risks surrounding the euro area growth outlook~~,~~ **are clearly on the downside. In addition to the previously identified risks** related to geopolitical factors, rising protectionism and vulnerabilities in emerging markets, ~~remain tilted to the downside, but have become less pronounced as~~

~~some of the uncertainty surrounding international trade is receding~~ **the spread of the coronavirus adds a new and substantial source of downside risk to the growth outlook**.

~~Euro~~ **According to Eurostat's flash estimate, euro** area annual HICP inflation ~~increased~~ **decreased** to 1.**2**~~3~~% in ~~December 2019~~ February 2020, from 1.**4**0% ~~in November, reflecting mainly higher energy price inflation~~ **in January**. On the basis of **the sharp decline in** current **and** futures prices for oil, headline inflation is likely to ~~hover around current levels in~~ **decline considerably over** the coming months. ~~While indicators~~ **Indicators** of inflation expectations ~~remain at low levels, recently they have either stabilised or ticked up slightly. Measures~~ **have fallen and measures** of underlying inflation ~~have remained~~ **remain** generally muted~~, although there are further indications of a moderate increase in line with previous expectations~~. While labour cost pressures have ~~strengthened~~ **so far remained resilient** amid tighter labour markets, the weaker growth momentum is delaying their pass-through to inflation. Over the medium term, **the increase in** inflation ~~is expected to increase,~~ **will be** supported by our monetary policy measures, ~~the ongoing economic expansion~~ and ~~solid wage growth~~ **the recovery in euro growth dynamics**.

This assessment is only partly reflected in the March 2020 ECB staff macroeconomic projections for the euro area, which foresee annual HICP inflation at 1.1% in 2020, 1.4% in 2021 and 1.6% in 2022. Compared with the December 2019 Eurosystem staff macroeconomic projections, the outlook for HICP inflation is broadly unrevised over the projection horizon. The implications of the coronavirus for inflation are surrounded by high uncertainty, given that downward pressures linked to weaker demand may be offset by upward pressures related to supply disruptions. The recent sharp decline in oil prices poses significant downside risks to the short-term inflation outlook.

Turning to the **monetary analysis**, broad money (M3) growth stood at 5.**2**~~6~~% ~~in November 2019, broadly unchanged since August. Sustained rates of broad money growth~~ in January 2020, **having moderated somewhat from its recent peak. Money growth continues to** reflect ongoing bank credit creation for the private sector and low opportunity costs of holding M3 relative to other financial instruments. The narrow monetary aggregate M1 continues to be the main contributor to broad money growth ~~on the components side~~.

~~The growth of loans~~ **Loans** to ~~firms and households remained solid, benefiting from the ongoing support provided by our accommodative~~

~~monetary policy stance, which is reflected in very low bank lending rates. While the~~ **private sector continued to expand. The** annual growth rate of loans to households ~~remained unchanged from October, at 3.5%~~ **picked up somewhat to 3.7% in January 2020, from 3.6%** in ~~November, the~~ **December 2019. The** annual growth rate of loans to non-financial corporations ~~moderated to~~ remained unchanged at 3.**24**% in ~~November, from 3.8% in October,~~ **January,** likely reflecting ~~some~~ **the typically** lagged reaction to the past weakening in the economy. ~~These developments are also visible in the results of the euro area bank lending survey for the fourth quarter of 2019, which indicate weakening demand for loans to firms, while demand for loans to households for house purchase continued to increase. However, credit standards for both loans to firms and loans to households for house purchase remained broadly unchanged, pointing to still favourable credit supply conditions.~~ Overall, our accommodative monetary policy stance**, including the measures taken today,** will ~~help to~~ safeguard ~~very~~ favourable bank lending conditions and will continue to support access to financing ~~across all economic sectors and~~ **including for those affected most by the ramifications of the coronavirus and,** in particular for small and medium-sized enterprises.

To sum up, a **cross-check** of the outcome of the economic analysis with the signals coming from the monetary analysis confirmed that an ample degree of monetary accommodation is ~~still~~ necessary for the ~~continued~~ robust convergence of inflation to levels that are below, but close to, 2% over the medium term.

~~In order to reap the full benefits from our monetary policy measures, other policy areas must contribute more decisively to raising the longer-term growth potential, supporting aggregate demand at the current juncture and reducing vulnerabilities. The implementation of **structural policies** in euro area countries needs to be substantially stepped up to boost euro area productivity and growth potential, reduce structural unemployment and increase resilience. The 2019 country-specific recommendations should serve as the relevant signpost.~~
~~Regarding **fiscal policies**, the euro area fiscal stance is expected to continue to provide some support to economic activity. In view of the weak economic outlook, the Governing Council welcomes the Eurogroup's call in December for differentiated fiscal responses and its readiness to coordinate. Governments with fiscal space should be ready to act in an effective and timely manner. In countries where public debt is high, governments need to pursue prudent policies and meet structural balance targets, which will create the conditions for automatic stabilisers to operate freely. All countries should intensify their efforts to achieve a more growth-friendly composition of public finances.~~

~~Likewise, the transparent and consistent implementation of the European Union's fiscal and economic governance framework over time and across countries remains essential to bolster the resilience of the euro area economy. Improving the functioning of Economic and Monetary Union remains a priority. The Governing Council welcomes the ongoing work and urges further specific and decisive steps to complete the banking union and the capital markets union.~~

~~We are now ready to take your questions.~~

Regarding fiscal policies, an ambitious and coordinated fiscal stance is now needed in view of the weakened outlook and to safeguard against the further materialisation of downside risks. We welcome the measures already taken by several governments to ensure sufficient health sector resources and to provide support to affected companies and employees. In particular, measures such as providing credit guarantees are needed to complement and reinforce the monetary policy measures taken today. We welcome the commitment of the euro area governments and the European Institutions to act now, strongly, and together in response to the repercussions of the further spread of the coronavirus.

Before we take your questions, we would like to express our profound gratitude to all those who are dedicating their time and efforts in saving lives and containing the spread of the coronavirus.

https://www.ecb.europa.eu/press/pressconf/2020/html/ecb.is200312~f857a21b6c.en.html

PRESS CONFERENCE

ECB Banking Supervision provides temporary capital and operational relief in reaction to coronavirus

12 March 2020

- Banks can fully use capital and liquidity buffers, including Pillar 2 Guidance
- Banks will benefit from relief in the composition of capital for Pillar 2 Requirements
- ECB to consider operational flexibility in the implementation of bank-specific supervisory measures

The European Central Bank (ECB) today announced a number of measures to ensure that its directly supervised banks can continue to fulfil their role in funding the real economy as the economic effects of the coronavirus (COVID-19) become apparent.

"The coronavirus is proving to be a significant shock to our economies. Banks need to be in a position to continue financing households and corporates experiencing temporary difficulties. The supervisory measures agreed today aim to support banks in serving the economy and addressing operational challenges, including the pressure on their staff," said Andrea Enria, Chair of the ECB Supervisory Board.

Capital and liquidity buffers have been designed with a view to allowing banks to withstand stressed situations like the current one. The European banking sector has built up a significant amount of these buffers. The ECB will allow banks to operate temporarily below the level of capital defined by the Pillar 2 Guidance (P2G), the capital conservation buffer (CCB) and the liquidity coverage ratio (LCR). The ECB considers that these temporary measures will be enhanced by the appropriate relaxation of the countercyclical capital buffer (CCyB) by the national macroprudential authorities.

Banks will also be allowed to partially use capital instruments that do not qualify as Common Equity Tier 1 (CET1) capital, for example Additional Tier 1 or Tier 2 instruments, to meet the Pillar 2 Requirements (P2R). This brings forward a measure that was initially scheduled to come into effect in

January 2021, as part of the latest revision of the Capital Requirements Directive (CRD V).

The above measures provide significant capital relief to banks in support of the economy. Banks are expected to use the positive effects coming from these measures to support the economy and not to increase dividend distributions or variable remuneration.

In addition, the ECB is discussing with banks individual measures, such as adjusting timetables, processes and deadlines. For example, the ECB will consider rescheduling on-site inspections and extending deadlines for the implementation of remediation actions stemming from recent on-site inspections and internal model investigations, while ensuring the overall prudential soundness of the supervised banks. In this context, the ECB Guidance to banks on non-performing loans also provides supervisors with sufficient flexibility to adjust to bank-specific circumstances. Extending deadlines for certain non-critical supervisory measures and data requests will also be considered. In the light of the operational pressure on banks, the ECB supports the decision by the European Banking Authority to postpone the 2020 EBA EU-wide stress test and will extend the postponement to all banks subject to the 2020 stress test.

Banks should continue to apply sound underwriting standards, pursue adequate policies regarding the recognition and coverage of non-performing exposures, and conduct solid capital and liquidity planning and robust risk management.

These actions follow a letter sent on 3 March 2020 to all significant banks to remind them of the critical need to consider and address the risk of a pandemic in their contingency strategies. Banks were asked to review their business continuity plans and consider what actions could be taken to enhance preparedness to minimise the potential adverse effects of the spread of the coronavirus. ECB Banking Supervision will engage with banks to ensure the continuity of their critical functions. The ECB Supervisory Board is monitoring developments; these measures will be revised as necessary.
https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200312~45417d8643.en.html

Notes

- Banks need to have own funds in sufficient quantity and quality on the liabilities side of their balance sheet to be able to absorb losses.
- European banking law defines three elements of own funds. **Common Equity Tier 1 capital** (CET1) is the highest quality of own funds and is mainly composed of shares and retained earnings from

previous years. **Additional Tier 1 capital** (AT1) and **Tier 2 capital** can be equity or liability instruments and are of lower quality.

- **Pillar 2 capital** consists of two parts. One is the **Pillar 2 Requirement or P2R**, covering risks which are underestimated or not sufficiently covered by **Pillar 1**. The other is the **Pillar 2 Guidance or P2G**, which indicates to banks the adequate level of capital to be maintained in order to have sufficient capital as a buffer to withstand stressed situations, in particular as assessed on the basis of the adverse scenario in the supervisory stress tests.
- Under the new Capital Requirements Directive V (CRDV) banks can fulfil Pillar 2 Requirements with a minimum 56.25% CET1 as a general principle. The remaining P2R can be filled with Additional Tier 1 and Tier 2 instruments. This law was initially scheduled to come into effect in January 2021 as part of the latest revision of the CRDV.

- There are also **capital buffers** mitigating specific risks, such as the **capital conservation buffer** (CCB) and the **countercyclical capital buffer** (CCyB) (the latter being set by the national macroprudential authorities). These capital buffers are designed to absorb losses in times of stress.
- In case of banks' capital falling below the combined buffer requirement (CCB, CCyB and systemic buffers), banks can make distributions only within the limits of the maximum distributable amount (MDA) as defined by EU law.

PRESS CONFERENCE

ECB announces easing of conditions for targeted longer-term refinancing operations (TLTRO III)

12 March 2020

- More favourable operations to support bank lending to those affected most by the spread of the coronavirus, in particular small and medium-sized enterprises
- Interest rate on TLTRO III reduced by 25 basis points and can be as low as 25 basis points below average deposit facility rate during period from June 2020 to June 2021 for all TLTRO III operations outstanding during that period
- Borrowing allowance raised to 50% of eligible loans
- Bid limit per operation removed on all future operations
- Lending performance threshold reduced to 0%
- Early repayment option available after one year from settlement starting in September 2021
- Modification accompanied by series of longer-term refinancing operations (LTROs) designed to bridge liquidity needs until settlement of fourth TLTRO III operation in June 2020, starting from next week

The Governing Council of the European Central Bank (ECB) today decided to modify some of the key parameters of the third series of targeted longer-term refinancing operations (TLTRO III) to support the continued access of firms and households to bank credit in the face of disruptions and temporary funding shortages associated with the coronavirus outbreak. The changes will apply to all TLTRO III operations.

For the period from 24 June 2020 to 23 June 2021, the interest rate on all TLTRO III operations outstanding during that time will be 25 basis points below the average rate applied in the Eurosystem's main refinancing operations over the same period. From 24 June 2020 to 23 June 2021, for counterparties whose eligible net lending between 1 April 2020 and 31 March 2021 reaches the benchmark, the interest rate applied on all TLTRO III operations outstanding over that period will be 25 basis points below the average interest rate on the deposit facility prevailing over the same period, and in any case not higher than -0.75%.

The maximum total amount that counterparties will henceforth be entitled to borrow is raised from 30% to 50% of their stock of eligible loans as at 28 February 2019 for all future TLTRO III operations. The amount counterparties can borrow under future TLTRO III operations is reduced by any amount that they previously borrowed under TLTRO II or TLTRO III that is still outstanding.

The limit of 10% of the stock of eligible loans for the amount of funds that can be borrowed in each operation is removed on all future operations.

In view of the changing economic environment, the lending performance threshold that needs to be met in the period between 1 April 2020 and 31 March 2021 in order to attain the minimum interest rate on TLTRO III operations has been lowered to 0%, from 2.5%.

The option for counterparties to repay the amounts borrowed under TLTRO III earlier than their final maturity will now be available one year from the settlement of each operation, instead of two years, starting in September 2021.
The changes to TLTRO III are accompanied by a series of LTROs designed to bridge liquidity needs and support the normal functioning of the euro money market until the settlement of the fourth TLTRO III operation on 24 June 2020. A separate press release provides details.

These changes will apply as of the TLTRO III operation to be allotted on 19 March 2020 and will be implemented via amendments to the Decision of the ECB of 22 July 2019 on a third series of targeted longer-term refinancing operations (ECB/2019/21), as amended by the Decision of the ECB of 12 September 2019 (ECB/2019/28). The first amendment, to be published by 16 March 2020, will concern modifications to the borrowing allowance and the bid limits per operation. The second amendment, to be published before the fourth TLTRO III operation, will concern the lending performance threshold, the temporary reduction in rates applied to all TLTRO III operations outstanding during the period from 24 June 2020 to 23 June 2021, as well as further aspects.
https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200312_2~06c32dabd1.en.html

PRESS CONFERENCE

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- Borrowing allowance raised to 50% of eligible loans
- Bid limit per operation removed on all future operations
- Lending performance threshold reduced to 0%
- Early repayment option available after one year from settlement starting in September 2021
- Modification accompanied by series of longer-term refinancing operations (LTROs) designed to bridge liquidity needs until settlement of fourth TLTRO III operation in June 2020, starting from next week

The Governing Council of the European Central Bank (ECB) today decided to modify some of the key parameters of the third series of targeted longer-term refinancing operations (TLTRO III) to support the continued access of firms and households to bank credit in the face of disruptions and temporary funding shortages associated with the coronavirus outbreak. The changes will apply to all TLTRO III operations.

For the period from 24 June 2020 to 23 June 2021, the interest rate on all TLTRO III operations outstanding during that time will be 25 basis points below the average rate applied in the Eurosystem's main refinancing operations over the same period. From 24 June 2020 to 23 June 2021, for counterparties whose eligible net lending between 1 April 2020 and 31 March 2021 reaches the benchmark, the interest rate applied on all TLTRO III operations outstanding over that period will be 25 basis points below the average interest rate on the deposit facility prevailing over the same period, and in any case not higher than -0.75%.

The maximum total amount that counterparties will henceforth be entitled to borrow is raised from 30% to 50% of their stock of eligible loans as at 28 February 2019 for all future TLTRO III operations. The amount counterparties can borrow under future TLTRO III operations is reduced by any amount that they previously borrowed under TLTRO II or TLTRO III that is still outstanding.

The limit of 10% of the stock of eligible loans for the amount of funds that can be borrowed in each operation is removed on all future operations.

In view of the changing economic environment, the lending performance threshold that needs to be met in the period between 1 April 2020 and 31 March 2021 in order to attain the minimum interest rate on TLTRO III operations has been lowered to 0%, from 2.5%.

The option for counterparties to repay the amounts borrowed under TLTRO III earlier than their final maturity will now be available one year from the settlement of each operation, instead of two years, starting in September 2021.
The changes to TLTRO III are accompanied by a series of LTROs designed to bridge liquidity needs and support the normal functioning of the euro money market until the settlement of the fourth TLTRO III operation on 24 June 2020. A separate press release provides details.

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https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200312_1~39db50b717.en.html