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April 30, 2020, ECB Press Conference – What has changed from March 12, 2020?

PRESS RELEASE

Monetary policy decisions

30 April ~~12 March~~ 2020

At today's meeting the Governing Council ~~decided on a comprehensive package~~ of the ECB took the following monetary policy ~~decisions~~ ~~measures~~:

(1) ~~Additional~~ The conditions on the targeted longer-term refinancing operations (~~LTROs~~ TLTRO III) have been further eased. Specifically, the Governing Council decided to reduce the interest rate on TLTRO III operations during the period from June 2020 to June 2021 to 50 basis points below the average interest rate on the Eurosystem's main refinancing operations prevailing over the same period. Moreover, for counterparties whose eligible net lending reaches the lending performance threshold, the interest rate over the period from June 2020 to June 2021 will now be 50 basis points below the average deposit facility rate prevailing over the same period.

(2) A new series of non-targeted pandemic emergency longer-term refinancing operations (PELTROs) will be conducted, ~~temporarily~~, to ~~provide immediate support~~ liquidity ~~support to conditions in~~ the euro area financial system. ~~Although the Governing Council does not see material signs of strains in and contribute to preserving the smooth functioning of~~ money markets ~~or liquidity shortages in the banking system, these operations will provide~~ by providing an effective liquidity backstop. The PELTROs consist of seven additional refinancing operations commencing in May 2020 and maturing in ~~case of need~~ a staggered sequence between July and September 2021 in line with the duration of the collateral easing measures. They will be carried out ~~through a~~ as fixed rate tender ~~procedures~~ ~~procedure~~ with full allotment, with an interest rate that is ~~equal to~~ 25 basis points below the average rate on the ~~deposit facility~~. The ~~LTROs will provide liquidity at favourable terms to bridge~~ main refinancing operations ~~prevailing over~~ the life of each PELTRO ~~period until the TLTRO III operation in June 2020~~.

(1) — 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 Since the end of March, purchases have been conducted under the Governing Council's new pandemic emergency purchase programme (PEPP), which has an overall envelope of €750 billion, to ease the overall monetary policy stance and to counter the severe risks to the monetary policy transmission mechanism and the outlook for the euro area posed by the coronavirus pandemic. These purchases will continue to be conducted in a flexible manner over time, across asset classes and among jurisdictions. The Governing Council will conduct net asset purchases under the PEPP until it judges that the coronavirus crisis phase is over, but in any case until the end of this year.

(4) Moreover, net purchases under the asset purchase programme (APP) will continue at a monthly pace of €20 billion, together with the purchases under the additional €120 billion 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 **under the APP** 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)~~ **(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.

(6) 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.~~

The Governing Council is fully prepared to increase the size of the PEPP and adjust its composition, by as much as necessary and for as long as needed. In any case, it 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.

Further details on the ~~precise~~ **amendments to the** terms of **TLTRO III and on** the new ~~operations~~ **PELTROs** will be published in dedicated press releases this afternoon at 15:30 CET.

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