



EUROPEAN CENTRAL BANK

EUROSYSTEM

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ECB-PUBLIC

**DECISION (EU) 2019/XX\* OF THE EUROPEAN CENTRAL BANK**

**of 12 September 2019**

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

**(ECB/2019/28)**

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)<sup>1</sup>,

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)<sup>2</sup>. 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 September 2019, in order to preserve favourable bank lending conditions, ensure the smooth transmission of monetary policy in Member States whose currency is the euro and to further support the accommodative stance of monetary policy, the Governing Council decided to change certain parameters of TLTRO-III, namely to increase the maturity of all operations from two

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\* This number will be allocated by the Publications Office of the European Union when the Decision is published in the Official Journal.

<sup>1</sup> OJ L 91, 2.4.2015, p. 3.

<sup>2</sup> 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).

to three years, introduce a voluntary repayment option and eliminate the spread of 10 basis points above both the average rate for main refinancing operations (MROs) and the average rate on the deposit facility, in each case over the life of the respective TLTRO-III, as applicable.

- (4) In order to apply these adjusted parameters to the first TLTRO-III, this Decision should enter into force without delay.
- (5) 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. in Article 2, paragraph 2 is replaced by the following:
  - '2. Each TLTRO-III shall mature three years after the respective settlement date, on a day that coincides with the settlement date of a Eurosystem main refinancing operation, in accordance with the indicative calendar for TLTROs-III published on the ECB's website.'
2. Article 5 is replaced by the following:

'Article 5

**Interest**

1. Subject to paragraph 2, the interest rate applicable to the amount borrowed under each TLTRO-III shall be the average rate on the main refinancing operation over the life of the respective TLTRO-III.
2. The interest rate applicable to the amounts borrowed by participants whose eligible net lending in the second reference period exceeds their benchmark net lending shall be lower than the rate specified in paragraph 1 and may be as low as the average rate on the deposit facility over the life of the respective TLTRO-III, depending on the deviation from the benchmark outstanding amount. The detailed provisions and calculations are outlined in Annex I. The interest rate shall be communicated to participants before the first early repayment date in September 2021 according to the indicative calendar for TLTROs-III published on the ECB's website.
3. The deviation from the benchmark outstanding amount, the resulting interest rate incentive adjustment, if any, and the final interest rates shall be communicated to participants in accordance with the indicative calendar for TLTROs-III published on the ECB's website.
4. 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.
5. 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 the average rate on the main refinancing operation over the life of the relevant 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 taking into account the deviation from the benchmark outstanding amount.';

3. the following Article 5a is inserted:

'Article 5a

**Early repayment**

1. Starting 24 months after the settlement of each TLTRO-III, participants shall, on a quarterly basis, have the option of terminating or reducing the amount of the TLTRO-III concerned before maturity.
  2. Early repayment dates shall coincide with the settlement date of a Eurosystem main refinancing operation, as specified by the Eurosystem.
  3. In order to benefit from the early repayment procedure, a participant shall notify the relevant NCB at least one week in advance of that early repayment date that it intends to repay under the early repayment procedure on the early repayment date.
  4. The notification referred to in paragraph 3 shall become binding on the participant concerned one week before the early repayment date to which it refers. Failure by the participant to settle, in full or in part, the amount due under the early repayment procedure by the repayment date may result in the imposition of a financial penalty. The applicable financial penalty shall be calculated in accordance with Annex VII to Guideline (EU) 2015/510 (ECB/2014/60) and shall correspond to the financial penalty applied for failures to comply with the obligations to adequately collateralise and settle the amount the counterparty has been allotted as regards reverse transactions for monetary policy purposes. The imposition of a financial penalty shall be without prejudice to the NCB's right to exercise the remedies provided for on the occurrence of an event of default set out in Article 166 of Guideline (EU) 2015/510 (ECB/2014/60).';
4. in Article 7(1), points (b), (c), (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-III.
  - (c) If a participant fails to make 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 together

with an additional daily penalty of EUR 500 until the second report is submitted but up to a maximum of EUR 15 000. The penalty shall be accumulated and charged upon receipt by the relevant NCB of the second report or when the maximum penalty has been reached if the second report has still not been received by then.

- (d) If a participant fails to make the results of the auditor's evaluation of 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.
- (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.';
5. in Annex I, section 3, the third paragraph is replaced by the following:  
 'EX will be rounded to 15 decimal positions. Where OAB is equal to zero, EX is deemed to equal 2.5.';
6. in Annex I, section 3, the sixth paragraph is replaced by the following:  
 'Let the interest rate incentive adjustment, measured as a fraction of the average corridor between the maximum possible interest rate ( $\overline{MRO}_k$ ) and the minimum possible interest rate ( $\overline{DF}_k$ ), be denoted  $iri$ ; let the interest rate to be applied for TLTRO-III k, expressed as an annual percentage rate, be denoted  $r_k$ ;  $iri$  and  $r_k$  are determined as follows:
- (a) If a participant does not exceed its benchmark outstanding amount of eligible loans as at 31 March 2021, the interest rate to be applied to all amounts borrowed by the participant under TLTROs-III is the average MRO rate over the life of the respective TLTRO-III, that is:  
 if  $EX \leq 0$ , then  $iri = 0\%$  and  $r_k = \overline{MRO}_k$
- (b) If a participant exceeds its benchmark outstanding amount of eligible loans by at least 2.5 % as at 31 March 2021, the interest rate to be applied to all amounts borrowed by the participant under TLTROs-III equals the average interest rate on the deposit facility prevailing over the life of the respective TLTRO-III, that is:  
 if  $EX \geq 2.5$ , then  $iri = 100\%$  and  $r_k = \overline{DF}_k$
- (c) If a participant exceeds its benchmark outstanding amount of eligible loans but by less than 2.5 % as at 31 March 2021, the interest rate to be applied to all amounts borrowed by the participant under TLTROs-III is graduated linearly depending on the percentage by which the participant exceeds its benchmark outstanding amounts of eligible loans, that is:  
 if  $0 < EX < 2.5$ , then  $iri = \frac{EX}{2.5}$  and  $r_k = \overline{MRO}_k - (\overline{MRO}_k - \overline{DF}_k) \times iri$ '.

*Article 2*

**Entry into force**

This Decision shall enter into force on 16 September 2019.

Done at Frankfurt am Main, 12 September 2019.

*For the Governing Council of the ECB*

[signed]

*The President of the ECB*

Mario DRAGHI