



EUROPEAN CENTRAL BANK
EUROSYSTEM

ECB-PUBLIC
COURTESY TRANSLATION

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President

Mr Emmanouil Fragkos
Member of the European Parliament
European Parliament
60, rue Wiertz
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Frankfurt am Main, 15 May 2020

L/CL/20/131

Re: Your letter (QZ-001)

[This document has been corrected to show that the applicable interest rate in the latest series of TLTROs will be 50 basis points below the average rate applied to the main refinancing operations.]

Honourable Member of the European Parliament, dear Mr Fragkos,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 20 January 2020.

In your letter you touch upon the difficulties for Greek households and businesses when it comes to accessing financing. You enquire about the amounts that the Greek banking system has obtained from the Eurosystem, the conditions governing such borrowing, and the way that this has been channelled into lending to Greek households and businesses.

Credit institutions located in Greece which meet the relevant eligibility criteria as laid down in the General Documentation Guideline¹, are subject to the same rules and procedures as Eurosystem eligible counterparties from any other euro area country. In its refinancing operations, the Eurosystem provides central bank credit to financially sound counterparties in return for adequate collateral, as required by the Statute of the European System of Central Banks and of the European Central Bank. In 2019, the collateral

¹ See Guideline ECB/2014/60, as amended. For further information on the terms and conditions governing the Eurosystem's monetary policy instruments, please visit the ECB's website at <https://www.ecb.europa.eu/mopo/implement/html/index.en.html>

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mobilised by Greek banks predominantly comprised covered bonds and credit claims. Small amounts of – non-Greek – government bonds, as well as supranational, bank and corporate bonds, were also mobilised.

Greek banks' overall recourse to Eurosystem monetary policy operations amounted to around €12.4 billion at the end of March 2020.² Regarding the composition, roughly three-quarters of the average total borrowing by Greek banks during the past year was in the form of targeted longer-term refinancing operations (TLTROs). The conditions of these operations were adjusted recently in order to support bank lending to households and firms in the face of the current economic disruption and heightened uncertainty. As announced in an ECB press release on 30 April 2020, the applicable interest rate in the latest series of TLTROs, i.e. TLTRO IIIs, is temporarily reduced by another 25 basis points for a year, starting in June 2020, and will be 50 basis points below the average rate applied to the Eurosystem's main refinancing operations (MROs) prevailing over that period.³ In addition, TLTROs, including TLTRO III⁴, entail an explicit conditionality aimed at easing private sector credit conditions and stimulating bank lending to the real economy. In particular, for counterparties whose eligible net lending between 1 March 2020 and 31 March 2021 exceeds their benchmark net lending, the rate applied to TLTRO III operations will be 50 basis points below the average interest rate on the deposit facility prevailing over that period. The ECB's MRO rate is 0.00% and the deposit facility rate is -0.50%.

In general, it should be noted that, by providing additional monetary policy accommodation, also through TLTROs, which have a particular focus on fostering lending for productive activities, the ECB's non-standard measures have made a crucial contribution to lowering bank lending rates across all sectors and euro area jurisdictions, especially for non-financial corporations (NFCs) in those euro area countries that have been most exposed to turbulences. Lending rates for euro area NFCs declined by 147 basis points between May 2014 and March 2020. In Greece, the decline in lending rates for NFCs amounted to 272 basis points in the same period. Similarly, the dynamics of lending volumes have improved considerably. The annual growth rate of loans granted by Greek banks to Greek NFCs has been positive since the end of 2018, standing at 3.5% in March 2020, which is 7.9 percentage points higher than in May 2014.

Yours sincerely,

[signed]

Christine Lagarde

² See the financial statement of the Bank of Greece at https://www.bankofgreece.gr/Publications/financialstat202003_en.pdf and the monthly disaggregated financial statement of the Eurosystem at <https://www.ecb.europa.eu/press/pr/wfs/dis/html/index.en.html>.

³ For the time thereafter, the conditions as announced on 12 September apply for the life of the respective TLTRO operation. The maturity of each TLTRO III operation is three years as of its settlement date. See also the [Indicative calendar for the third series of targeted longer-term refinancing operations](#) on the ECB's website.

⁴ See also [Targeted longer-term refinancing operations \(TLTROs\)](#) on the ECB's website.