

PRESS RELEASE

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ECB announces new series of targeted longer-term refinancing operations (TLTRO II)

- Four new targeted longer-term refinancing operations to reinforce the ECB's accommodative monetary policy stance and to foster new lending.
- The new operations will be conducted from June 2016 to March 2017 at a quarterly frequency.
- All the new operations will have a four-year maturity, with the possibility of repayment after two years.
- Counterparties exceeding the lending benchmark will borrow at a rate that can be as low as the rate on the deposit facility at the time of allotment.

The Governing Council of the European Central Bank (ECB) decided today to launch a new series of four targeted longer-term refinancing operations (TLTRO II). The new operations will offer attractive long-term funding conditions to banks to further ease private sector credit conditions and to stimulate credit creation. TLTRO II is intended to reinforce the ECB's accommodative monetary policy stance and to strengthen the transmission of monetary policy by further incentivising bank lending to the real economy. In conjunction with the other non-standard measures in place, TLTRO II will contribute to a return of inflation rates to levels below, but close to, 2% over the medium term.

Counterparties¹ will be able to borrow in the operations a total amount of up to 30% of a specific eligible part of their loans² as at 31 January 2016, less any amount which was previously borrowed and is still outstanding under the first two TLTRO operations conducted in 2014.

¹ As in the first series of TLTROs, counterparties can participate in TLTRO II individually or, subject to certain conditions, on a group basis. In the latter case, the calculation of the TLTRO II group's benchmark and borrowing allowances will be based on aggregated loan data for the TLTRO II group.

The four TLTRO II operations will be conducted in June, September and December 2016 and in March 2017.

All TLTRO II operations will have a maturity of four years from their settlement date. Counterparties will be able to repay the amounts borrowed under TLTRO II at a quarterly frequency starting two years from the settlement of each operation. Counterparties will not be subject to mandatory early repayments.

The interest rate applied to TLTRO II will be fixed for each operation at the rate applied in the main refinancing operations (MROs) prevailing at the time of allotment. In addition, counterparties whose eligible net lending in the period between 1 February 2016 and 31 January 2018 exceeds their benchmark will be charged a lower rate for the entire term of the operation. This lower rate will be linked to the interest rate on the deposit facility prevailing at the time of the allotment of each operation. Counterparties will receive the maximum rate reduction equal to the difference between the MRO rate and the rate on the deposit facility applicable at the time of take-up if they exceed their benchmark stock of eligible loans by 2.5% in total as at 31 January 2018. Up to this limit, the size of the decrease in the interest rate will be graduated linearly depending on the percentage by which a counterparty exceeds its benchmark stock of eligible loans. For counterparties that exhibited positive eligible net lending in the 12-month period to 31 January 2016, the benchmark net lending is set at zero. For counterparties that exhibited negative eligible net lending in the 12-month period to 31 January 2016, the benchmark net lending is equal to the eligible net lending in that period.

The dedicated reporting scheme of the first series of TLTROs will be retained for TLTRO II, with only two report submissions required, i.e. one to document the borrowing allowance and the benchmark, and one to check the lending performance against the benchmark in two years' time.

In addition, the Governing Council decided to introduce an additional voluntary repayment possibility for all currently outstanding TLTROs in June 2016, coinciding with the settlement of the first TLTRO II operation. This will allow counterparties to roll over amounts borrowed under the current TLTROs into TLTRO II. The remaining two operations of the current TLTRO programme will be implemented in March 2016 and June 2016, as originally scheduled.

Further technical details of the TLTRO II operations will be announced in due course.

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² As in the first series of TLTROs, eligible loans are defined as those to euro area non-financial corporations and households excluding loans to households for house purchase.