

Press release

30 April 2020

ECB recalibrates targeted lending operations to further support real economy

- Interest rate on all targeted longer-term refinancing operations (TLTRO III) reduced by 25 basis points to -0.5% from June 2020 to June 2021
- For banks meeting the lending threshold of 0% introduced on 12 March 2020, the interest rate can be as low as -1%
- Start of the lending assessment period brought forward to 1 March 2020

The Governing Council of the European Central Bank (ECB) today decided on a number of modifications to the terms and conditions of its targeted longer-term refinancing operations (TLTRO III) in order to support further the provision of credit to households and firms in the face of the current economic disruption and heightened uncertainty.

For the period from 24 June 2020 to 23 June 2021 the interest rate on all TLTRO III operations will now be 50 basis points below the average rate applied in the Eurosystem's main refinancing operations over the same period. The interest rate on the main refinancing operations is currently 0%. For counterparties whose eligible net lending reaches the lending performance threshold, the interest rate applied from 24 June 2020 to 23 June 2021 on all TLTRO III operations will be 50 basis points below the average interest rate on the deposit facility prevailing over the same period, and in any case not higher than -1%. The deposit facility rate is currently -0.5%.

The start of the period over which banks' lending performance will be assessed in order to ascertain whether they qualify for this lower rate will be brought forward to 1 March 2020, from 1 April 2020, while the end of the assessment period will remain unchanged at 31 March 2021. This adjustment recognises the funding support that banks have already provided to firms in March at the start of the crisis related to the coronavirus (COVID-19) pandemic, in line with the aims of TLTRO III.

European Central Bank

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For banks that reach the lending threshold of 0% between 1 March 2020 and 31 March 2021, the most favourable conditions will be applied throughout the entire life of the operations. The interest rate applied before 24 June 2020 and after 23 June 2021 for these counterparties will be the average interest rate on the deposit facility over the life of the respective operation. For banks that do not reach the lending threshold of 0% between 1 March 2020 and 31 March 2021, the original TLTRO III interest rates and lending threshold, evaluated over the longer period of between 1 April 2019 and 31 March 2021, will apply. For these counterparties, in recognition of the challenging credit environment during the pandemic period, the lending threshold that they need to meet over this longer assessment period will be lowered to 1.15%, from 2.5%. In any case, during the period from 24 June 2020 to 23 June 2021 the rate for these banks will not be higher than 50 basis points below the average rate applied in the Eurosystem's main refinancing operations over the same period.

The changes to TLTRO III will apply to all TLTRO III operations 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 Decisions of the ECB of 12 September 2019 (ECB/2019/28) and 16 March 2020 (ECB/2020/13). The changes to the lending threshold, the reduction in the rates during the period from 24 June 2020 to 23 June 2021 and the bringing forward of the start date of the lending performance assessment period to 1 March 2020 will be set forth in a third amendment that will be published shortly on the ECB's website and subsequently in the Official Journal of the European Union.

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Notes

- The ECB announced TLTRO III on 7 March 2019 and details on 6 June 2019. It announced changes to TLTRO III on 12 September 2019 and an easing of the conditions on 12 March 2020.
- Further information on TLTRO I, TLTRO II and TLTRO III can be found on the ECB's website.

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