

Press release

27 October 2022

ECB recalibrates targeted lending operations to help restore price stability over the medium term

- ECB recalibrates third series of targeted longer-term refinancing operations (TLTRO III) to ensure consistency with broader monetary policy normalisation process
- Recalibration will help address unexpected and extraordinary inflation increases by reinforcing transmission of policy rates to bank lending conditions
- From 23 November 2022, interest rate on all remaining TLTRO III operations to be indexed to average applicable key ECB interest rates from that date onward
- Existing interest rate calculation maintained for period up to 22 November 2022
- Modification accompanied by three additional voluntary early repayment dates introduced for banks wishing to terminate or reduce borrowings before maturity

The Governing Council of the European Central Bank (ECB) today decided to recalibrate the conditions of the third series of targeted longer-term refinancing operations (TLTRO III) as part of the monetary policy measures adopted to restore price stability over the medium term. In view of the current inflationary developments and outlook, it is necessary to adapt certain parameters of TLTRO III to reinforce the transmission of our policy rates to bank lending conditions so that TLTRO III contributes to the transmission of the monetary policy stance needed to ensure the timely return of inflation to the ECB's 2% medium-term target.

The recalibration of the TLTRO III terms and conditions will contribute to the normalisation of bank funding costs. The ensuing normalisation of financing conditions, in turn, will exert downward pressure on inflation, contributing to restoring price stability over the medium term. The recalibration also removes deterrents to early voluntary repayment of outstanding TLTRO III funds. Earlier voluntary repayments would reduce the Eurosystem balance sheet and, with that, contribute to the overall monetary policy normalisation.

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From 23 November 2022 until the maturity date or early repayment date of each respective outstanding TLTRO III operation, the interest rate on TLTRO III operations will be indexed to the average applicable key ECB interest rates over this period.

The existing interest rate calculation method will be maintained for the period from the settlement date of each respective TLTRO III operation until 22 November 2022, albeit with indexing to the applicable key ECB interest rates ending on that date.

Furthermore, three additional voluntary early repayment dates will be introduced to provide TLTRO III participants with additional opportunities to partly, or fully, repay their respective TLTRO III borrowings before their maturity.

The first additional voluntary repayment opportunity will coincide with the start of the new interest rate calculation method on 23 November 2022. Counterparties will need to inform their respective national central bank by 16 November 2022 of their intention to use this repayment option. The repayment calendar will be updated on the ECB's website accordingly.

These changes to the terms and conditions of TLTRO III will apply to all TLTRO III operations still outstanding and will be implemented via a sixth amendment 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), 16 March 2020 (ECB/2020/13), 30 April 2020 (ECB/2020/25), 29 January 2021 (ECB/2021/3) and 30 April 2021 (ECB/2021/21). The amendment will shortly be published on the ECB's website and subsequently in the Official Journal of the European Union.

The Governing Council stands ready to adjust all instruments within its mandate to ensure that inflation stabilises at the 2% medium-term target.

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Notes

- The ECB announced TLTRO III on [7 March 2019](#) and published further details on [6 June 2019](#). It announced changes to TLTRO III on [12 September 2019](#), an easing of the conditions on [12 March 2020](#), a recalibration on [30 April 2020](#) and an extension of support for banks on [10 December 2020](#).
- Further information on TLTRO I, TLTRO II and TLTRO III can be found on the [ECB's website](#).
- See the other monetary policy decisions of the [ECB's Governing Council of 27 October 2022](#), also available on the ECB's website.

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