



PRESS RELEASE

ECB announces monetary policy measures to enhance the functioning of the monetary policy transmission mechanism



5 June 2014

In pursuing its price stability mandate, the Governing Council of the ECB has today announced measures to enhance the functioning of the monetary policy transmission mechanism by supporting lending to the real economy. In particular, the Governing Council has decided:

1. To conduct a series of targeted longer-term refinancing operations (TLTROs) aimed at improving bank lending to the euro area non-financial private sector ^[1], excluding loans to households for house purchase, over a window of two years.
2. To intensify preparatory work related to outright purchases of asset-backed securities (ABS).

Modalities of the series of TLTROs

Counterparties will be entitled to an initial TLTRO borrowing allowance (initial allowance) equal to 7% of the total amount of their loans to the euro area non-financial private sector, excluding loans to households for house purchase, outstanding on 30 April 2014. In two successive TLTROs to be conducted in September and December 2014, counterparties will be able to borrow an amount that cumulatively does not exceed this initial allowance.

During the period from March 2015 to June 2016, all counterparties will be able to borrow additional amounts in a series of TLTROs conducted quarterly. These additional amounts can cumulatively reach up to three times each counterparty's net lending ^[2] to the euro area non-financial private sector, excluding loans to households for house purchase, provided between 30 April 2014 and the respective allotment reference date ^[3] in excess of a specified benchmark. The benchmark will be determined by taking into account each counterparty's net lending to the euro area non-financial private sector, excluding loans to households for house purchase, recorded in the 12-month period up to 30 April 2014.

All TLTROs will mature in September 2018.

The interest rate on the TLTROs will be fixed over the life of each operation at the rate on the Eurosystem's main refinancing operations (MROs) prevailing at the time of take-up, plus a fixed spread of 10 basis points. Interest will be paid in arrears when the borrowing is repaid.

Starting 24 months after each TLTRO, counterparties will have the option to repay any part of the amounts they were allotted in that TLTRO at a six-monthly frequency.

Counterparties that have borrowed under the TLTROs and whose net lending to the euro area non-financial private sector, excluding loans to households for house purchase, in the period from 1 May 2014 to 30 April 2016 is below the benchmark will be required to pay back borrowings in September 2016.

Further technical details and an exact calendar of the operations will be announced in due course.

Intensification of preparatory work related to outright purchases of ABS

The Governing Council has decided to intensify preparatory work related to outright purchases in the ABS market to enhance the functioning of the monetary policy transmission mechanism, given the role of this market in facilitating new credit flows to the economy. Under this initiative, the Eurosystem will consider purchasing simple and transparent ABS with underlying assets consisting of claims against the euro area non-financial private sector, taking into account the desirable changes in the regulatory environment, and will work with other relevant institutions to that effect.

The Eurosystem will work out the appropriate modalities for this policy measure, including the key requirements that the ABS will have to meet in order to be eligible. Further details of the initiative will be announced in due course.

For media queries, please call Michael Steen on +49 69 1344 7457 or Stefan Ruhkamp on +49 69 1344 5057

^[1]The euro area non-financial private sector is defined as euro area households and non-financial corporations.

^[2]Net lending will be measured on the basis of the transactions concept of the BSI statistics, i.e. new loans minus loan redemptions, adjusted for the impact of loan sales and securitisations.

^[3]The allotment reference date is defined as the most recent month for which net lending data will be available for each TLTRO allotment.

European Central Bank

Directorate General Communications

Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany

Tel.: +49 69 1344 7455, E-mail: media@ecb.europa.eu

Website: www.ecb.europa.eu

Reproduction is permitted provided that the source is acknowledged.

[▶ Media contacts](#)

Copyright 2016, European Central Bank