

## Information regarding participating in the new Targeted Longer-Term Refinancing Operations (TLTROs-III)

Financial markets  
Monetary operations

### Introduction

On 7 March 2019, the Governing Council of the ECB decided to launch a series of Targeted Longer-Term Refinancing Operations (TLTROs-III) with the aim of supporting lending to the non-financial private sector.<sup>1</sup> We are writing today to inform financial institutions in the Netherlands on how they may participate in these TLTROs-III through DNB.

### Legal basis

The legal instrument underlying the TLTRO-III programme has the form of an ECB Decision. The ECB published the Decision ("ECB Decision") on 29 July 2019.<sup>2</sup> ECB decisions have direct effect and do not need to be transposed into national instruments, as would be the case for ECB Guidelines. The ECB Decision will apply directly to the relationship or contractual relationship between DNB and its counterparties, and serves as a supplement to, and where necessary prevails over the rules contained in the Monetary Policy Transactions Conditions (MPTC).<sup>3</sup>

**Date**

29 July 2019

**Reference**

2016/302849

### Eligible counterparties

The TLTROs-III are open to eligible counterparties only. In order to be eligible as a monetary policy counterparty, an institution must meet the terms and conditions stated in part 3 of the MPTC. In order to be able to participate in the TLTROs-III, an institution must be able to subscribe to tenders by means of eTender software, hold a TARGET-2 account with DNB, have signed the relevant legal documentation, and hold a collateral deposit at DNB.<sup>4</sup>

### Participating as a new TLTROs-III group

Eligible counterparties may participate in TLTROs-III individually or as a group. Institutions meeting specific requirements may form a TLTROs-III group, and participate in the TLTROs-III through the group member that is appointed lead institution. If institutions opt for participating on a group basis, the institution appointed lead institution is the only member of the TLTROs-III group that may participate in the TLTRO-III procedures. This lead institution must be recognised as an eligible counterparty of the national central bank in the country where it has its registered office. The other group members must also meet the terms and conditions set for monetary policy counterparties, with the exception of the operational criteria.

In order to be recognised as a TLTROs-III group, the group must meet specific conditions. These conditions are detailed in Article 3 of the ECB Decision. In order to be recognised as a TLTROs-III group, the lead institution must submit an application for recognition as TLTROs-III group with its own national central bank by 14 August 2019 (18:00 CET) at the latest, submitting the specific information described in Article 3(3)(d) of the ECB Decision. If the lead institution has its registered office in the

<sup>1</sup> See press release:

<https://www.ecb.europa.eu/press/pr/date/2019/html/ecb.mp190307~7d8a9d2665.en.html>

<sup>2</sup> ECB Decision: [https://www.ecb.europa.eu/ecb/legal/pdf/en\\_ecb\\_2019\\_21\\_f\\_sign.pdf](https://www.ecb.europa.eu/ecb/legal/pdf/en_ecb_2019_21_f_sign.pdf)

<sup>3</sup> The August 2019 MPTC will apply to the TLTRO-III:

[https://www.dnb.nl/en/binaries/Monetary%20Policy%20Transactions%20Conditions\\_Edition%20August%202019\\_tcm47-384969.pdf](https://www.dnb.nl/en/binaries/Monetary%20Policy%20Transactions%20Conditions_Edition%20August%202019_tcm47-384969.pdf)

<sup>4</sup> If your institution not yet meets all of the above conditions, but wants to be eligible as a counterparty, you should contact DNB in good time. Please note that a request to open a transaction account in the TARGET2-NL payment system may take several weeks to process, due to mandatory testing requirements.

Netherlands, the request may be submitted by sending an email to [fm.dealingroom@dnb.nl](mailto:fm.dealingroom@dnb.nl).

DNB may request the lead institution to provide additional information relevant for its assessment of the request.

### **Participation as a previously formed TLTROs-II group**

A TLTROs-II group previously recognised as such for the purpose of the second TLTRO programme may participate as a TLTROs-III group subject to certain procedures concerning notification and recognition (see also Article 3(3)(e) of the ECB Decision). If your institution previously participated in TLTROs-II as part of a TLTROs-II group and wishes to participate in TLTROs-III as part of the same group, the lead institution must confirm this by 14 August 2019 (18:00 CET) at the latest by email at: [fm.dealingroom@dnb.nl](mailto:fm.dealingroom@dnb.nl).

If you have any specific questions regarding TLTROs-III group applications, please contact the dealing room of our Financial Markets Division by telephone at +31 20 520 5000, or by email at [fm.dealingroom@dnb.nl](mailto:fm.dealingroom@dnb.nl).

### **Limits**

The total limit for the TLTRO-III has been set at 30% of the reference amount less any amounts outstanding under the TLTRO-II. For TLTRO-III purposes, the definition of the reference amount has been extended to include self-securitised loans. Should your institution wish to use such loans, please note that different reporting and audit obligations apply, as set out in the ECB Decision.

For TLTRO-III the maximum limit per operation has been set at the lowest of i) the total limit less any amounts outstanding under the TLTRO-II or ii) one-tenth of the reference amount (i.e. one third of the total limit).

### **Additional repayment opportunity for outstanding amounts under the TLTRO-II**

The amended Article 6 of the Decision regarding the second TLTRO programme (ECB/2016/10, as amended by ECB/2019/22), published on the ECB website on 29 July 2019, introduces an additional early repayment for all operations outstanding under the second TLTRO programme.<sup>5</sup> This provides the opportunity for a *de facto* switch to the TLTROs-III, provided there is sufficient allocated borrowing allowance under the TLTROs-III programme. Outstanding positions under the TLTROs-II will be deducted from the TLTROs-III borrowing allowance.

You must inform us by 11 September 2019 (17:00 CET) at the latest if you wish to make any early repayments, upon which the notification becomes legally binding (article 6 of ECB/2016/10). The settlement date for the opportunity for additional repayment and for the first TLTROs-III operation are the same, i.e. 25 September 2019. In the event that your institution intends to repay an outstanding amount under the second TLTRO programme, you must notify us by email at [fm.dealingroom@dnb.nl](mailto:fm.dealingroom@dnb.nl) by 11 September 2019 (17:00 CET) at the latest. Please state the amounts that will be repaid for each of the TLTRO-II operations. In September a tender will be launched through eTender for the repayment.

### **Reporting requirements**

Counterparties interested in participating in the TLTROs-III must submit a reporting form on reference moment 28 February 2019 in order to calculate the borrowing allowance and bid limit. For the calculation of the benchmarks a reporting form should be submitted on reference period 1 April 2018 through 31 March 2019 (Article 6 of

<sup>5</sup> Amended Decision: [https://www.ecb.europa.eu/ecb/legal/pdf/en\\_ecb\\_2019\\_22\\_f\\_sign.pdf](https://www.ecb.europa.eu/ecb/legal/pdf/en_ecb_2019_22_f_sign.pdf)

the ECB Decision).<sup>6</sup> A similar second reporting form must be submitted in 2021 in order to determine lending performance (reference period 1 April 2019 through 31 March 2021), which serves to calculate the eventual interest rate applying to the amounts borrowed under the TLTROs-III programme.

The reporting templates are very similar to the templates used for the second TLTRO programme, both in terms of format and content. The reporting templates asks for information on stocks and flows regarding credit extended to non-financial corporations and households (excluding residential mortgage loans extended to households). The corresponding guidelines can be found in Annex II to the ECB Decision. The reporting templates have the format of an Excel template and must be submitted via DLR. We will make a reporting obligation available in DLR for this purpose in due course. Our Statistics Division will provide your reporting department with additional information on the reporting obligations no later than 1 August 2019.

Regarding the reporting requirements, the template matches the methodology of the ECB Balance Sheet Items Statistics (monetary statistics). The reporting departments of all Dutch banks have experience with the reporting requirements of monetary statistics and with reporting through DLR. We would therefore strongly prefer close involvement of these departments in the completion and submission of the reporting template.

In the event that a group of counterparties is recognised as a TLTROs-III group, the lead institution will be required to submit a report on behalf of the group, in principle including the aggregated data of all group members. However, the ECB has offered the national central banks the option to collect information from all group members individually (solo). We therefore expect to receive both aggregated and solo reports if your institution participates in a group.

For the first operation under TLTROs-III, reporting is required for the reference period 1 April 2018 through to 31 March 2019 and on reference moment 28 February 2019. These reports must be submitted to DNB through DLR by 27 August 2019 (18:00 CET) at the latest. Should your institution wish to use self-securitised loans for TLTRO-III, please note that extra reporting and audit obligations apply, as set out in the ECB Decision. For more information regarding the timelines of the TLTROs-III, please refer to the ECB website.

If you have any specific questions regarding reporting requirements, please contact our Monetary and Banking Statistics department by telephone at +31 20 524 3693, or by email at [tltro@dnb.nl](mailto:tltro@dnb.nl).

### **Audit**

Counterparties and groups are required to have both submitted reporting templates evaluated by an external auditor. Article 6(6) of the ECB Decision provides further information regarding audit requirements and deadlines. Please be aware that based on the indicative calendar, the submission deadline for the external audit report regarding the first reference period on the first three TLTRO-III operations is 7 January 2021 (18:00 CET). The submission deadline for the external audit report regarding the first reference period on the last four TLTRO-III operations is 30 July 2021 (18:00 CET).

The submission deadline for the external audit report regarding the second reference period on all seven TLTRO-III operations is 31 August 2021 (18:00 CET). This deadline corresponds to the deadline of submitting the second reporting template via DLR.

<sup>6</sup> Calendar: <https://www.ecb.europa.eu/mopo/implement/omo/pdf/TLTRO3-calendar-2019.en.pdf>

**Communication regarding interest rate**

We will communicate the benchmark performance no later than 24 September 2021 after we have received the first and second reporting templates and the first and second external audit reports. Given that the rate is linked to the Eurosystem's key policy rates, we will only be able to communicate the final interest rate shortly before each TLTRO-III operation expires. Please refer to the indicative calendar for these dates.