

31 July 2020

Decisions taken by the Governing Council of the ECB (in addition to decisions setting interest rates)

July 2020

Market operations

Review of the mapping of short-term ratings to the Eurosystem's harmonised rating scale

On 26 June 2020 the Governing Council decided to remap the short-term ratings “R-3”, “P-3” and “A-3” of DBRS Morningstar, Moody’s and Standard & Poor’s, respectively, from Credit Quality Step (CQS) 4 to CQS 3 on the Eurosystem’s harmonised rating scale, and approved the publication of the updated Eurosystem harmonised rating scale on the ECB’s website. The remapping is the outcome of an ad hoc review of the mapping of external credit assessment institutions’ short-term ratings to the Eurosystem’s harmonised rating scale. The new mapping enters into force on 1 August 2020.

Admission of the Bulgarian lev and the Croatian kuna in the Exchange Rate Mechanism II

On 13 July 2020 the ECB announced the compulsory intervention rates agreed by common accord between the ECB, Българска народна банка (Bulgarian National Bank) and Hrvatska narodna banka, in line with Article 1.2 of the Agreement of 16 March 2006 between the European Central Bank and the national central banks of the Member States outside the euro area laying down the operating procedures for an exchange rate mechanism in stage three of Economic and Monetary Union. A related press release is available on the ECB’s website. This decision follows the positive assessment of the prior commitments taken by both the Bulgarian and Croatian authorities to enter both the banking union and ERM II, which led to the formal decisions of 10 July 2020 to include both currencies in ERM II for which two communiqués are also available on the ECB’s website and the European Commission’s website.

Precautionary repo line arrangements with the central banks of Albania, Serbia and Hungary

On 17 July 2020 the ECB announced that the Governing Council had approved the setting-up of two repo line arrangements to provide euro liquidity to, respectively, Bank of Albania and National Bank of Serbia. This was to address possible euro liquidity needs in the presence of market dysfunctions owing to the coronavirus (COVID-19) shock. A further similar arrangement with Magyar Nemzeti Bank was announced by the ECB on 23 July 2020. All related press releases are available on the ECB’s website.

Ad hoc review of the list of issuers classified as agencies in the Eurosystem collateral framework

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On 17 July 2020 the Governing Council decided to add 15 issuers to the list of recognised agencies on the ECB's website: NBank Investitions- und Förderbank Niedersachsen (NBank), Investitionsbank Sachsen-Anhalt (ISA), Thüringer Aufbaubank, Investitions- und Strukturbank Rheinland-Pfalz (ISB), Bremer Aufbau-Bank, Landesförderinstitut Mecklenburg-Vorpommern, Saarländische Investitionskreditbank AG, Clairsienne, Clésence, Valloire Habitat, Alliade Habitat, Néolia, Vilogia, Batigère and Malta Development Bank. This follows a positive assessment that they fulfil the qualitative criteria, based on their common good activity and national/regional scope. As a result these issuers will become eligible for purchases under the asset purchase programme (APP) and the pandemic emergency purchase programme (PEPP).

Further expansion of additional credit claim frameworks in response to the COVID-19 pandemic

On 20 and 22 July 2020 the Governing Council approved a request from one national central bank (NCB) to create a new temporary additional credit claim (ACC) framework and also requests for changes to the existing ACC frameworks of five other NCBs. The ACC frameworks were introduced in 2011 to allow Eurosystem NCBs to temporarily accept as collateral certain credit claims that are not compliant with the eligibility rules and/or credit quality standards established in the General Documentation. The collateral easing package adopted by the Governing Council on 7 April 2020 introduced the possibility of expanding these frameworks further. The acceptance of new or expanded ACC frameworks is subject to prior approval by the Governing Council. More detailed information on the ACC frameworks is available on the ECB's website.

Operationalisation of the administration of the SURE loans

On 22 July 2020 the Governing Council approved operational aspects related to the administration of the loans disbursed under the new instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE). First, the ECB will open one account for the European Commission and one account for each NCB of a borrowing EU Member State to hold funds subject to the mandatory 20 TARGET2 business day holding period prior to repayment for the purpose of the SURE loans administration. Second, the Governing Council decided that SURE-related repayment flows (principal and interest) mandatorily deposited in the ECB account 20 TARGET2 business days prior to the corresponding due date during that mandatory period would be exempt from remuneration at negative interest rates. Instead, during this advance period such deposits will be remunerated at either zero per cent or the deposit facility rate, whichever is higher. These decisions will be reflected in the relevant legal acts accordingly. SURE is expected to provide financial assistance of up to €100 billion in the form of loans from the EU to affected Member States.

Publication of data on the minimum reserve requirements (MRR) and the two-tier system

On 23 July 2020 the Governing Council approved the publication on the ECB's website, at maintenance period frequency, of national data on MRR, current accounts and excess reserves, as well as Eurosystem aggregated and national data related to the two-tier system. The data to be published are exemption allowances, exempted excess reserves, non-exempted excess reserves, and unused allowance. All data will be published based on maintenance period averages. The ECB will retain the possibility to delay such data releases if it deems that they could negatively impact markets. The first publication covering data

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since the introduction of the two-tier system is planned for November 2020, after the adjustment of internal systems. Publication will subsequently take place after the end of each maintenance period.

Decision amending Decision (EU) 2020/440 on a temporary pandemic emergency purchase programme

On 28 July 2020 the Governing Council adopted Decision ECB/2020/36 amending Decision (EU) 2020/440 on a temporary pandemic emergency purchase programme. The amending Decision legally introduces the decisions taken on 4-5 June 2020 by the Governing Council to increase the size of the programme and extend the intended horizon of net purchases. The Decision will be available shortly in EUR-Lex.

Market infrastructure and payments

Contribution to the European Commission public consultation on a retail payments strategy for the EU

On 25 June 2020 the Governing Council approved a contribution by the European System of Central Banks (ESCB) to the European Commission's public consultation on a retail payments strategy for the EU and authorised the publication of its contribution. The feedback gathered on both this public consultation, as well as the parallel one on a new digital finance strategy for Europe/fintech action plan is expected to be used by the European Commission to prepare a retail payments strategy for publication in the third quarter of 2020.

Pan-European reachability for instant payments via TARGET Instant Payment Settlement (TIPS)

On 22 July 2020 the Governing Council decided that, by November 2021 and subject to a possible migration period, Payment Service Providers (PSPs) which have adhered to the SEPA Instant Credit Transfer (SCT Inst) scheme and are reachable in TARGET2 should also become reachable in a TIPS central bank money liquidity account. They should be reachable either as a participant or as a reachable party (i.e. through the account of another PSP). At the same time, all Automated Clearing Houses (ACHs) offering instant payment services should migrate their technical accounts from TARGET2 to TIPS. These measures will ensure the pan-European reach of euro instant payments, with the ultimate goal being to enable electronic payments from and to any country in real time, both in physical shops and online.

Extending the timeline of the TARGET2-TARGET2-Securities (T2-T2S) consolidation project

On 22 July 2020 the Governing Council approved a one-year extension to the timeline of the T2-T2S consolidation project from November 2021 to November 2022. It also decided in principle that the go-live date for the Eurosystem Collateral Management System (ECMS) was likewise to be postponed from November 2022 until at least June 2023, with further analysis to be performed by the Market Infrastructure Board. The rationale for these decisions is the challenges posed to the financial industry by the COVID-19 pandemic and the rescheduling of SWIFT's global migration of cross-border payments to ISO 20022.

Advice on legislation

ECB Opinion on the amendment of the appointment criteria of Banco de Portugal's Governor and other members of the Management Board

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On 21 July 2020 the Governing Council adopted Opinion CON/2020/19 at the request of the Portuguese Assembly of the Republic.

Corporate governance

New organisational set-up of ECB Banking Supervision

On 24 July 2020 the Governing Council took note of a new set-up for the business areas in ECB Banking Supervision. The Governing Council was consulted on this organisational change by the Executive Board in line with Article 10.1 of the Rules of Procedure of the ECB. The changes will be resourced through the redeployment of existing headcount and will be cost neutral. They include the creation of two new business areas – bringing the total to seven – and the redistribution of assignments across the existing business areas, with bank-specific supervision organised along the lines of the banks' business models. More detailed information on the changes, which are expected to be completed in the fourth quarter of 2020, is provided in a related press release available on the ECB's banking supervision website.

Publication of opinions issued by the ECB Ethics Committee

On 30 July 2020 the Governing Council decided to publish the Ethics Committee opinions addressed to the current members of the Executive Board, Governing Council and Supervisory Board and issued since the entry into force of the ECB Single Code of Conduct for high-level European Central Bank Officials (2019/C 89/03) in January 2019. Opinions issued on, first, potential conflicts of interest regulated under Articles 11 and 12 of the Single Code and, second, post-mandate gainful employment (Article 17 of the Single Code) will accordingly be released, complemented as applicable by the outcome of Ethics Committee and Governing Council deliberations. This publication, which will start in September 2020 and follow a biannual rhythm, is a new initiative by the ECB to increase its transparency and demonstrate its ongoing commitment to good governance and integrity.

Statistics

Decision amending Decision (EU) 2015/32 concerning derogations that may be granted under Regulation (EU) No 1073/2013

On 17 July 2020 the Governing Council adopted Decision (EU) 2020/1100 amending Decision (EU) 2015/32 concerning derogations that may be granted under Regulation (EU) No 1073/2013 concerning statistics on the assets and liabilities of investment funds (ECB/2020/33). The amending Decision caters for the inclusion of further investment fund categories, from which derogations may be granted under Article 8(2) of Regulation (EU) No 1073/2013 (ECB/2013/38), for national central banks in Austria, Latvia, Lithuania and Portugal. The amending Decision also provides for the removal of investment fund categories for France that no longer apply and includes minor amendments resulting from changes to certain national legal acts. This Decision is available in EUR-Lex.

Cessation policy and procedures for the euro short-term rate (€STR)

On 20 July 2020 the Governing Council adopted the cessation policy and procedures for €STR and approved the publication of the policy and procedures on the ECB's website. The Eurosystem thereby complies with the requirement of Guideline (EU) 2019/1265 (ECB/2019/19) to adopt clear written policies

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and procedures for the possible cessation of the €STR owing to a situation, or any other condition, which makes the €STR no longer representative of the underlying interest rate which the €STR seeks to measure.

Production of backward-looking unsecured money market rates

On 23 July 2020 the Governing Council gave its approval for the ECB to launch the daily publication of compounded term rates and daily indices based on the euro short-term rate (€STR). This approval is subject to the feedback to be received in a public consultation on the rates' parameters. The launch of the consultation was also approved by the Governing Council. The publication of these rates, following the example of other major central banks, will signal support for the contingency planning for EURIBOR and may facilitate more widespread usage of the €STR in the market. The documents related to the public consultation are available on the ECB's website.

Banking supervision

Decisions on the establishment of close cooperation between the ECB and Българска народна банка (Bulgarian National Bank) and the ECB and Hrvatska Narodna Banka

On 24 June 2020 the Governing Council adopted Decision (EU) 2020/1015 on the establishment of close cooperation between the European Central Bank and Българска народна банка (Bulgarian National Bank) (ECB/2020/30) and Decision (EU) 2020/1016 on the establishment of close cooperation between the European Central Bank and Hrvatska Narodna Banka (ECB/2020/31). Both Decisions are available in EUR-Lex.

Guideline on the exercise of the discretion under Article 178(2)(d) of Regulation (EU) No 575/2013

On 25 June 2020 the Governing Council adopted Guideline (EU) 2020/978 on the exercise of the discretion under Article 178(2)(d) of Regulation (EU) No 575/2013 by national competent authorities in relation to less significant institutions with regard to the threshold for assessing the materiality of credit obligations past due (ECB/2020/32). The Guideline, which takes into account the feedback received in the context of a related ECB public consultation launched in January 2020, is available in EUR-Lex.

Consultation on amendments to the Rules of Procedure of the Supervisory Board

On 15 July 2020 the Governing Council was consulted on draft amendments to the Rules of Procedure of the Supervisory Board, which were proposed by the Supervisory Board with a view to catering for the participation of the Bulgarian and Croatian national competent authorities following the establishment of close cooperation with the authorities of these two countries and the ECB under the Single Supervisory Mechanism. Pursuant to Article 13d of the Rules of Procedure of the ECB the Supervisory Board shall adopt its Rules of Procedure after having consulted the Governing Council.

Banks' preparations for benchmark rate reforms

On 22 July 2020 the Governing Council did not object to a proposal by the Supervisory Board to approve the publication of two documents on benchmark rate reforms. The first document presents the horizontal assessment of the preparedness for benchmark rate reforms of banks supervised under the Single Supervisory Mechanism. The second is a report containing good practices for banks to adopt to prepare for the transition. Both documents are available on the ECB's banking supervision website.

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Compliance with EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis

On 24 July 2020 the Governing Council did not object to a proposal by the Supervisory Board to notify the European Banking Authority (EBA), as regards significant institutions under the ECB's direct supervision, of the ECB's compliance with the EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02).

Results of the COVID-19 vulnerability analysis

On 24 July 2020 the Governing Council did not object to a proposal by the Supervisory Board to publish the results of the COVID-19 vulnerability analysis performed by the SSM to identify the banking sector's potential vulnerabilities in the wake of the pandemic. The detailed aggregate results are available on the ECB's banking supervision website together with a related press release.

Recommendation on dividend distributions during the COVID-19 pandemic

On 27 July 2020 the Governing Council did not object to a proposal by the Supervisory Board to adopt Recommendation ECB/2020/35 on dividend distributions during the COVID-19 pandemic and repealing Recommendation ECB/2020/19. Recommendation ECB/2020/35, together with two letters to the CEOs of significant institutions (on remuneration policies and the operational capacity to deal with distressed debtors, both in the context of the pandemic), are available on the ECB's banking supervision website together with a related press release.