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DECISION (EU) 2016/810 OF THE EUROPEAN CENTRAL BANK

of 28 April 2016

on a second series of targeted longer-term refinancing operations (ECB/2016/10)

(OJ L 132, 21.5.2016, p. 107)

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		No	page	date
►**M1**	Decision (EU) 2016/1974 of the European Central Bank of 31 October 2016	L 304	7	11.11.2016
►**M2**	Decision (EU) 2019/1312 of the European Central Bank of 22 July 2019	L 204	123	2.8.2019

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DECISION (EU) 2016/810 OF THE EUROPEAN CENTRAL BANK

of 28 April 2016

on a second series of targeted longer-term refinancing operations (ECB/2016/10)

Article 1

Definitions

For the purposes of this Decision, the following definitions apply:

(1) 'benchmark net lending' means the amount of eligible net lending that a participant needs to exceed in the period 1 February 2016 to 31 January 2018 in order to qualify for an interest rate on the participant's TLTRO-II borrowing that is lower than the initial rate applied and which is calculated in accordance with the principles and the detailed provisions set out in Article 4 and Annex I, respectively;

(2) 'benchmark outstanding amount' means the sum of a participant's eligible loans outstanding as at 31 January 2016 and the participant's benchmark net lending which is calculated in accordance with the principles and the detailed provisions set out in Article 4 and Annex I, respectively;

(3) 'bid limit' means the maximum amount that may be borrowed by a participant in any TLTRO-II calculated in accordance with the principles and the detailed provisions set out in Article 4 and Annex I, respectively;

(4) 'borrowing allowance' means the overall amount that may be borrowed by a participant in all TLTROs-II and calculated in accordance with the principles and the detailed provisions set out in Article 4 and Annex I, respectively;

(5) 'credit institution' means a credit institution as defined in point (14) of Article 2 of Guideline (EU) 2015/510 of the European Central Bank (ECB/2014/60) ([1]);

(6) 'eligible loans' means loans to non-financial corporations and households (including non-profit institutions serving households) resident, as defined in point (4) of Article 1 of Council Regulation (EC) No 2533/98 ([2]), in Member States whose currency is the euro, except loans to households for house purchases, as further detailed in Annex II;

(7) 'eligible net lending' means gross lending in the form of eligible loans net of repayments of outstanding amounts of eligible loans during a specific period, as further detailed in Annex II;

([1]) Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60) (OJ L 91, 2.4.2015, p. 3).

([2]) Council Regulation (EC) No 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank (OJ L 318, 27.11.1998, p. 8).

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(8) ‘first reference period’ means the period 1 February 2015 to 31 January 2016;

(9) ‘monetary financial institution’ (MFI) means a monetary financial institution as defined in point (a) of Article 1 of Regulation (EU) No 1071/2013 of the European Central Bank (ECB/2013/33) [1];

(10) ‘MFI code’ means a unique identification code for an MFI in the list of MFIs maintained and published by the European Central Bank (ECB) for statistical purposes in accordance with Article 4 of Regulation (EU) No 1071/2013 (ECB/2013/33);

(11) ‘outstanding amounts of eligible loans’ means outstanding eligible loans on the balance sheet, excluding eligible loans securitised or otherwise transferred without derecognition from the balance sheet, as further detailed in Annex II;

(12) ‘participant’ means a counterparty eligible for Eurosystem monetary policy open market operations in accordance with Guideline (EU) 2015/510 (ECB/2014/60), which submits bids in TLTRO-II tender procedures either on an individual basis or on a group basis as lead institution, and which is subject to all rights and obligations associated with its participation in the TLTRO-II tender procedures;

(13) ‘relevant NCB’ means, with reference to a particular participant, the NCB of the Member State in which the participant is established;

(14) ‘second reference period’ means the period 1 February 2016 to 31 January 2018.

Article 2

The second series of targeted longer-term refinancing operations

1. The Eurosystem shall conduct four TLTROs-II in accordance with the indicative calendar for TLTROs-II published on the ECB's website.

2. Each TLTRO-II shall mature four years after the respective settlement date, on a day that coincides with the settlement date of a Eurosystem main refinancing operation, in accordance with the indicative calendar for TLTROs-II published on the ECB's website.

3. TLTROs-II shall be:

(a) liquidity-providing reverse transactions;

(b) executed in a decentralised manner by the NCBs;

[1] Regulation (EU) No 1071/2013 of the European Central Bank of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector (ECB/2013/33) (OJ L 297, 7.11.2013, p. 1).

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(c) executed through standard tenders; and

(d) executed in the form of fixed rate tender procedures.

4. The standard conditions under which the NCBs are prepared to conduct credit operations shall apply in respect of TLTROs-II, unless otherwise specified in this Decision. These conditions shall include the procedures for conducting open market operations, the criteria for determining the eligibility of counterparties and collateral for the purposes of Eurosystem credit operations and the sanctions applicable in the event of non-compliance with counterparty obligations. Each of these conditions is laid down in the general and temporary legal frameworks applicable to refinancing operations and as implemented in NCBs' contractual and/or regulatory national frameworks.

5. In the event of a conflict between this Decision and Guideline (EU) 2015/510 (ECB/2014/60) or any other ECB legal act laying down the legal framework applicable to longer-term refinancing operations and/or any national measures implementing it at national level, this Decision shall prevail.

Article 3

Participation

1. Institutions may participate in TLTROs-II on an individual basis if they are eligible counterparties for Eurosystem monetary policy open market operations.

2. Institutions may participate in TLTROs-II on a group basis by forming a TLTRO-II group. Participation on a group basis is relevant for the purposes of calculating the applicable borrowing allowance and the benchmarks as laid down in Article 4 and the associated reporting obligations as laid down in Article 7. Participation on a group basis shall be subject to the following restrictions:

(a) an institution shall not be a member of more than one TLTRO-II group;

(b) an institution participating in TLTROs-II on a group basis may not participate on an individual basis;

(c) the institution appointed as lead institution shall be the only member of the TLTRO-II group that may participate in TLTRO-II tender procedures; and

(d) the composition and the lead institution of a TLTRO-II group shall remain unchanged for all TLTROs-II, subject to paragraphs 6 and 7 of this Article.

3. In order to participate in TLTROs-II through a TLTRO-II group, the following conditions shall be fulfilled.

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(a) With effect from the last day of the month preceding the application referred to in point (d) of this paragraph, each member of a given group shall:

(i) have a close link to another member of the group within the meaning of 'close link' as defined in Article 138 of Guideline (EU) 2015/510 (ECB/2014/60) and references therein to 'counterparty', 'guarantor', 'issuer' or 'debtor' shall be understood as referring to a group member; or

(ii) hold required reserves with the Eurosystem in accordance with Regulation (EC) No 1745/2003 of the European Central Bank (ECB/2003/9) [1] indirectly through another member of the group or be used by another member of the group in order to indirectly hold required reserves with the Eurosystem.

(b) The group shall appoint one member as the lead institution for the group. The lead institution shall be an eligible counterparty for Eurosystem monetary policy open market operations.

(c) Each member of the TLTRO-II group shall be a credit institution established in a Member State whose currency is the euro, and shall fulfil the criteria laid down in points (a), (b) and (c) of Article 55 of Guideline (EU) 2015/510 (ECB/2014/60).

(d) Subject to point (e), the lead institution shall apply for group participation to its NCB in accordance with the indicative calendar for TLTROs-II published on the ECB's website. The application shall include:

(i) the name of the lead institution;

(ii) a list of the MFI codes and names of all the institutions to be included in the TLTRO-II group;

(iii) an explanation of the basis for a group application, including a list of the close links and/or indirect reserve holding relationships between the members of the group, identifying each member by its MFI code;

(iv) in the case of group members which meet the conditions stipulated in point (ii) of point (a): written confirmation from the lead institution certifying that each member of its TLTRO-II group has formally decided to be a member of the TLTRO-II group in question and agrees not to participate in TLTROs-II as an individual counterparty or as a member of any other TLTRO-II group, together with appropriate evidence that the written confirmation from the lead institution was executed by duly authorised signatories. A lead institution may make the necessary confirmation in respect of its TLTRO-II group members where there are agreements in

[1] Regulation (EC) No 1745/2003 of the European Central Bank of 12 September 2003 on the application of minimum reserves (ECB/2003/9) (OJ L 250, 2.10.2003, p. 10).

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place, such as those for the indirect holding of minimum reserves pursuant to Article 10(2) of Regulation (EC) No 1745/2003 (ECB/2003/9), which expressly state that the relevant group members participate in Eurosystem open market operations exclusively through the lead institution. The relevant NCB, in cooperation with the NCBs of the relevant group members, may check the validity of the written confirmation concerned; and

(v) in the case of a group member to which point (i) of point (a) applies: (1) written confirmation from the relevant group member of its formal decision to be a member of the TLTRO-II group in question and not to participate in TLTROs-II as an individual counterparty or as a member of any other TLTRO-II group; and (2) appropriate evidence, confirmed by the NCB of the relevant group member, that this formal decision was taken at the highest decision-making level of the member's corporate structure, such as the Board of Directors or equivalent in accordance with any applicable law.

(e) A TLTRO group recognised for the purposes of TLTROs pursuant to Decision ECB/2014/34 may participate in TLTROs-II as a TLTRO-II group provided that its lead institution submits a written notification to that effect to the relevant NCB in accordance with the indicative calendar for TLTROs-II published on the ECB's website. The notification shall include:

(i) a list of members of the TLTRO group who have formally decided to be members of the TLTRO-II group in question and not to participate in TLTRO-II as individual counterparties or as members of any other TLTRO-II group. In the case of group members which meet the conditions stipulated in point (ii) of point (a), the lead institution may provide the necessary notification where there are agreements in place, as referred to in point (iv) of point (d), which expressly state that the relevant group members participate in Eurosystem open market operations exclusively through the lead institution. The relevant NCB, in cooperation with the NCBs of the relevant group members, may check the validity of that list; and

(ii) appropriate evidence, as may be requested by the lead institution's NCB, that it was executed by duly authorised signatories.

(f) The lead institution shall obtain confirmation from its NCB that the TLTRO-II group has been recognised. Prior to issuing its confirmation, the relevant NCB may request any additional information relevant for its assessment of the potential TLTRO-II group from the lead institution. In its assessment of a group application, the relevant NCB shall also take into account any assessments by the NCBs of group members that may be necessary, such as the verification of documentation provided in accordance with points (d) or (e) as applicable.

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For the purposes of this Decision, credit institutions subject to consolidated supervision, including branches of the same credit institution, shall also be regarded as suitable applicants for TLTRO-II group recognition, and shall be required to meet the conditions laid down in this Article mutatis mutandis. This facilitates the formation of TLTRO-II groups among such institutions, where they are part of the same legal entity. For the purpose of confirming the formation, or a change in the composition, of a TLTRO-II group of this nature, paragraph 3(d)(iv) and paragraph 6(b)(ii)(4) shall apply respectively.

4. If one or more of the institutions included in the application for TLTRO-II group recognition do not fulfil the conditions of paragraph 3, the relevant NCB may partially reject the application of the proposed group. In such a case, the institutions submitting the application may decide to act as a TLTRO-II group with the composition limited to those group members that fulfil the necessary conditions or to withdraw the application for TLTRO-II group recognition.

5. In exceptional cases, where there are objective reasons, the Governing Council may decide to deviate from the conditions set out in paragraphs 2 and 3.

6. Without prejudice to paragraph 5, the composition of a group recognised in accordance with paragraph 3 may change in the following circumstances:

(a) A member shall be excluded from the TLTRO-II group if it no longer meets the requirements of point (a) or (c) of paragraph 3. The relevant group member's NCB shall inform the lead institution of the group member's failure to meet those requirements.

In such cases, the lead institution concerned shall notify the relevant NCB of the change in status of its group member.

(b) If, in relation to the TLTRO-II group, additional close links or indirect holdings of required reserves with the Eurosystem are established after the last day of the month preceding the application referred to in point (d) of paragraph 3, the TLTRO-II group composition may change to reflect the addition of a new member provided that:

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(i) the lead institution applies to its NCB for recognition of the change in the TLTRO-II group's composition in accordance with the indicative calendar for TLTROs-II published on the ECB's website;

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(ii) the application referred to in point (i) includes:

(1) the name of the lead institution;

(2) the list of MFI codes and names of all the institutions that are intended to be included in the new composition of the TLTRO-II group;

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(3) an explanation of the basis for the application, including details of the changes to the close links and/or indirect reserve holding relationships between the members of the group, identifying each member by its MFI code;

(4) in the case of group members to which point (ii) of paragraph 3(a) applies: written confirmation from the lead institution certifying that each member of its TLTRO-II group has formally decided to be a member of the TLTRO-II group in question and not to participate in TLTROs-II as an individual counterparty or as a member of any other TLTRO-II group. A lead institution may make the necessary certification in respect of its TLTRO-II group members where there are agreements in place, such as those for the indirect holding of minimum reserves pursuant to Article 10(2) of Regulation (EC) No 1745/2003 (ECB/2003/9), which expressly state that the relevant group members participate in Eurosystem open market operations exclusively through the lead institution. The relevant NCB, in cooperation with the NCBs of the relevant group members, may check the validity of that written confirmation; and

(5) in the case of group members to which point (i) of paragraph 3(a) applies, written confirmation from each additional member of its formal decision to be a member of the TLTRO-II group in question and not to participate in TLTROs-II as an individual counterparty or as a member of any other TLTRO-II group, and written confirmation from each member of the TLTRO-II group, included in both the old and the new composition, of its formal decision to agree to the new composition of the TLTRO-II group, together with appropriate evidence, confirmed by the NCB of the relevant group member, as detailed in point (v) of paragraph 3(d); and

(iii) the lead institution has obtained confirmation from its NCB that the changed TLTRO-II group has been recognised. Prior to issuing its confirmation, the relevant NCB may request any additional information relevant for its assessment of the new TLTRO-II group composition from the lead institution. In its assessment of a group application, the relevant NCB must also take into account any necessary assessment of the NCBs of group members, such as the verification of documentation provided in accordance with point (ii).

(c) If, in relation to the TLTRO-II group, a merger, acquisition or division involving the TLTRO-II group members takes place after the last day of the month preceding the application referred to in point (d) of paragraph 3 and that operation does not result in any change in the set of eligible loans, the TLTRO-II group composition may change to reflect the merger, acquisition or division, as applicable, provided that the conditions listed in point (b) are met.

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7. Where changes in the composition of a TLTRO-II group have been accepted by the Governing Council in accordance with paragraph 5, or changes in the composition of TLTRO-II groups have taken place in accordance with paragraph 6, unless otherwise decided by the Governing Council, the following shall apply:

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(a) in respect of the changes to which paragraph 5, paragraph 6(b) or paragraph 6(c) applies, the lead institution may participate in a TLTRO-II on the basis of the new composition of its TLTRO-II group only after it has obtained confirmation from its NCB that the new composition of the TLTRO-II group has been recognised; and

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(b) an institution that is no longer a member of a TLTRO-II group shall not participate in any further TLTRO-II either individually or as member of another TLTRO-II group, unless it submits a new application to participate in accordance with paragraphs 1, 3 or 6.

8. If a lead institution loses its eligibility as a counterparty for Eurosystem monetary policy open market operations, its TLTRO-II group shall no longer be recognised and such lead institution shall be obliged to repay all amounts borrowed under TLTROs-II.

Article 4

Borrowing allowance, bid limit and benchmarks

1. The borrowing allowance applicable to an individual participant shall be calculated on the basis of the loan data in respect of the outstanding amounts of eligible loans of the individual participant. The borrowing allowance applicable to a participant which is the lead institution of a TLTRO-II group shall be calculated on the basis of the aggregated loan data in respect of outstanding amounts of eligible loans of all members of the TLTRO-II group.

2. Each participant's borrowing allowance shall equal 30 % of its total amount of eligible loans outstanding as at 31 January 2016 less any amount previously borrowed by that TLTRO-II participant under the first two TLTROs conducted in September and December 2014 pursuant to Decision ECB/2014/34 and still outstanding on the settlement date of a TLTRO-II having regard to any legally binding notification for early repayment submitted by the participant in accordance with Article 6 of Decision ECB/2014/34 or any legally binding notification for mandatory early repayment provided by the relevant NCB in accordance with Article 7 of Decision ECB/2014/34. The relevant technical calculations are outlined in Annex I.

3. If a member of a TLTRO group recognised for the purposes of TLTROs pursuant to Decision ECB/2014/34 is not willing to be a member of the respective TLTRO-II group, for the purposes of calculating the TLTRO-II borrowing allowance for that credit institution as an individual participant, that institution shall be deemed to have borrowed under TLTROs conducted in September and December 2014 an amount equal to the amount borrowed by the lead institution of the TLTRO group in these two operations and still outstanding on the

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settlement date of a TLTRO-II multiplied by the share of eligible loans of the member to those of the TLTRO group as at 30 April 2014. This latter amount will be subtracted from the amount that the respective TLTRO-II group is deemed to have borrowed under TLTROs conducted in September and December 2014 for the purpose of calculating the TLTRO-II borrowing allowance of the lead institution.

4. Each participant's bid limit shall equal its borrowing allowance less the amounts borrowed under previous TLTROs-II. This amount shall be considered to represent a maximum bid limit for each participant and the rules applicable to bids exceeding the maximum bid limit, as laid down in Article 36 of Guideline (EU) 2015/510 (ECB/2014/60), shall apply. The relevant technical calculations are outlined in Annex I.

5. A participant's benchmark net lending shall be determined on the basis of eligible net lending in the first reference period, as follows:

(a) for participants who report positive or zero eligible net lending in the first reference period, the benchmark net lending shall be zero;

(b) for participants who report negative eligible net lending in the first reference period, the benchmark net lending shall be equal to the eligible net lending for the first reference period.

The relevant technical calculations are outlined in Annex I. The benchmark net lending for participants that have been granted banking licences after 31 January 2015 shall be zero unless the Governing Council, in circumstances where it is objectively justified, decides otherwise.

6. A participant's benchmark outstanding amount shall be determined as the sum of the eligible loans outstanding as at 31 January 2016 and the benchmark net lending. The relevant technical calculations are outlined in Annex I.

Article 5

Interest

1. Subject to paragraph 2, the interest rate applicable to the amount borrowed under each TLTRO-II shall be the rate on the main refinancing operation prevailing at the time of the tender allotment in respect of the relevant TLTRO-II.

2. The interest rate applicable to the amounts borrowed by participants whose eligible net lending in the second reference period exceeds their benchmark net lending shall also be linked to the interest rate on the deposit facility prevailing at the time of the allotment of each TLTRO-II in accordance with the detailed provisions and calculations set out in Annex I. The interest rate shall be communicated to participants before the first early repayment date in June 2018 according to the indicative calendar for TLTROs-II published on the ECB's website.

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3. Interest shall be settled in arrears on the maturity of each TLTRO-II, or on early repayment as provided for in Article 6, as applicable.

4. If, due to the exercise of remedies available to an NCB in accordance with its contractual or regulatory arrangements, a participant is required to repay the TLTRO-II outstanding amounts before the applicable interest rate is communicated to that participant, the interest rate applicable to the amounts borrowed by that participant under each TLTRO-II shall be the rate on the main refinancing operation prevailing at the time of the tender allotment in respect of the relevant TLTRO-II.

Article 6

Early repayment

1. Starting 24 months after the settlement of each TLTRO-II, participants shall, on a quarterly basis, have the option of terminating or reducing the amount of the TLTRO-II concerned before maturity.

2. Early repayment dates shall coincide with the settlement date of a Eurosystem main refinancing operation, as specified by the Eurosystem.

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3. In order to benefit from the early repayment procedure, a participant shall notify the relevant NCB that it intends to repay under the early repayment procedure on the early repayment date, at least two weeks in advance of that early repayment date.

4. The notification referred to in paragraph 3 shall become binding on the participant concerned two weeks before the early repayment date to which it refers. Failure by the participant to settle, in full or in part, the amount due under the early repayment procedure by the repayment date may result in the imposition of a financial penalty. The applicable financial penalty shall be calculated in accordance with Annex VII to Guideline (EU) 2015/510 (ECB/2014/60) and shall correspond to the financial penalty applied for failures to comply with the obligations to adequately collateralise and settle the amount the counterparty has been allotted as regards reverse transactions for monetary policy purposes. The imposition of a financial penalty shall be without prejudice to the NCB's right to exercise the remedies provided for on the occurrence of an event of default as set out in Article 166 of Guideline (EU) 2015/510 (ECB/2014/60).

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Article 7

Reporting requirements

1. Each participant in TLTROs-II shall submit to the relevant NCB the data identified in the reporting template set out in Annex II as follows:

(a) data relating to the first reference period for the purposes of establishing the participant's borrowing allowance, bid limits and benchmarks (hereinafter referred to as the ‘first report’); and

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(b) data relating to the second reference period for the purposes of determining the applicable interest rates (hereinafter referred to as the ‘second report’).

2. The data shall be provided in accordance with:

(a) the indicative calendar for TLTRO's-II published on the ECB's website;

(b) the guidelines set out in Annex II; and

(c) the minimum standards for accuracy and compliance with concepts specified in Annex IV to Regulation (EU) No 1071/2013 (ECB/2013/33).

3. Terms used in the report submitted by participants shall be interpreted in accordance with the definitions of those terms in Regulation (EU) No 1071/2013 (ECB/2013/33).

4. Lead institutions of TLTRO-II groups shall submit reports reflecting aggregated data in respect of all members of the TLTRO-II group. In addition, the lead institution's NCB, or the NCB of a member of a TLTRO-II group may, in coordination with the lead institution's NCB, require the lead institution to submit disaggregated data for each individual group member.

5. Each participant shall ensure that the quality of the data submitted pursuant to paragraphs 1 and 2 is evaluated by an external auditor in accordance with the following rules:

(a) the auditor may evaluate the data in the first report as part of the audit of the participant's annual financial statements and the results of the auditor's evaluation shall be submitted by the deadline specified in the indicative calendar for TLTROs-II published on the ECB's website;

(b) the results of the auditor's evaluation in respect of the second report shall be submitted together with that second report unless, in exceptional circumstances, a different deadline is approved by the relevant NCB; in this case, the interest rate applicable to the amounts borrowed by the participant who requested the extension shall be communicated only after the results of the auditor's evaluation are submitted; if, following the relevant NCB's approval, the participant decides to terminate or reduce the amount of its TLTROs-II before it submits the results of the auditor's evaluation, the interest rate applicable to the amounts to be repaid by that participant shall be the rate on the main refinancing operation prevailing at the time of the tender allotment in respect of the relevant TLTRO-II;

(c) the auditor's evaluations shall focus on the requirements set out in paragraphs 2 and 3. In particular, the auditor shall:

(i) evaluate the accuracy of the data provided by verifying that the set of the participant's eligible loans including, in the case of a lead institution the eligible loans of its TLTRO-II group members, satisfies the eligibility criteria;

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(ii) check that the data reported complies with the guidelines detailed in Annex II and with the concepts introduced by Regulation (EU) No 1071/2013 (ECB/2013/33);

(iii) check that the data reported are consistent with data compiled pursuant to Regulation (EU) No 1071/2013 (ECB/2013/33); and

(iv) check whether controls and procedures are in place to validate the integrity, accuracy and consistency of the data.

In the case of participation on a group basis, the results of the auditor's evaluations shall be shared with the NCBs of the other TLTRO-II group members. At the request of the participant's NCB, detailed results of the evaluations conducted pursuant to this paragraph shall be provided to that NCB and, in the case of group participation, subsequently shared with the NCBs of the group members.

The Eurosystem may provide further guidance on the manner in which the auditor's evaluation is to be conducted in which case the participants shall ensure that such guidance is applied by the auditors in their evaluation.

6. Following a change in the TLTRO-II group composition or a corporate reorganisation, such as a merger, acquisition or division, that affects the set of the participant's eligible loans, a revised first report shall be submitted in accordance with the instructions received from the participant's NCB. The relevant NCB shall assess the impact of the revision and undertake appropriate action. Such action may include a requirement to repay amounts borrowed which, taking into account the change to the TLTRO-II group composition or the corporate reorganisation, exceed the relevant borrowing allowance. The participant concerned (which may include a newly established entity following the corporate reorganisation) shall provide any additional information requested by the relevant NCB to assist in the assessment of the impact of the revision.

7. The data provided by the participants pursuant to this Article may be used by the Eurosystem for the implementation of the TLTRO-II framework, as well as for the analysis of the framework's effectiveness and other Eurosystem analytical purposes.

Article 8

Non-compliance with reporting requirements

1. Where a participant fails to submit a report or comply with audit requirements, or where errors are identified in the data reported, the following shall apply:

(a) If a participant fails to submit the first report by the relevant deadline, its borrowing allowance shall be set at zero.

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(b) If a participant fails to submit the second report by the relevant deadline or to comply with the obligations set out in Article 7(5) or (6), the interest rate on the main refinancing operation prevailing at the time of the tender allotment in respect of the relevant TLTRO-II shall be applicable to the amounts borrowed by that participant under TLTROs-II.

(c) If a participant, either in connection with the audit referred to in Article 7(5) or otherwise, identifies errors in the data submitted in the reports, including inaccuracies or incompleteness, it shall notify the relevant NCB thereof within the shortest time frame possible. Where the relevant NCB has been notified of such errors, or where such errors otherwise come to its attention: (i) the participant shall provide any additional information requested by the relevant NCB to assist in the assessment of the impact of the error concerned; and (ii) the relevant NCB may take appropriate action, which may include an adjustment to the interest rate applied to the participant's borrowings under TLTROs-II and a requirement to repay the amounts borrowed which, due to the error, exceed the participant's borrowing allowance.

2. Paragraph 1 shall be without prejudice to any sanction that may be imposed pursuant to Decision ECB/2010/10 of the European Central Bank ([1]) in respect of the reporting obligations laid down in Regulation (EU) No 1071/2013 (ECB/2013/33).

Article 9

Entry into force

This Decision shall enter into force on 3 May 2016.

([1]) Decision ECB/2010/10 of the European Central Bank of 19 August 2010 on non-compliance with statistical reporting requirements, (OJ L 226, 28.8.2010, p. 48).

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ANNEX I

CONDUCT OF THE SECOND SERIES OF TARGETED LONGER-TERM REFINANCING OPERATIONS

1. **Calculation of borrowing allowance and bid limit**

Participants in one of the second series of targeted longer-term refinancing operations (TLTRO-II), acting either individually or as the lead institution of a TLTRO-II group, are subject to a borrowing allowance. The borrowing allowance calculated will be rounded up to the next multiple of EUR 10 000.

The borrowing allowance applicable to an individual participant in the TLTROs-II is calculated on the basis of the amount of eligible loans outstanding as at 31 January 2016. The borrowing allowance applicable to the lead institution of a TLTRO-II group is calculated on the basis of the amount of eligible loans outstanding as at 31 January 2016 in relation to all members of that TLTRO-II group.

The borrowing allowance equals 30 % of the outstanding amount of eligible loans relating to the participant [1] as at 31 January 2016 minus the amounts borrowed by the participant in the targeted longer-term refinancing operations (TLTROs) conducted in September and December 2014 pursuant to Decision ECB/2014/34 and still outstanding at the settlement date of a TLTRO-II, i.e.:

$$BA_k = 0{,}3 \times OL_{Jan2016} - OB_k \text{ for } k = 1,\ldots,4$$

Here BA_k is the borrowing allowance in TLTRO-II k (with $k = 1,\ldots,4$), $OL_{Jan2016}$ is the amount of eligible loans held by the participant which are outstanding as at 31 January 2016 and OB_k is the amount borrowed by the participant in TLTRO1 and TLTRO2 of the first TLTRO series and still outstanding on the settlement date of a TLTRO-II k.

The bid limit applicable to each participant in each TLTRO-II is the borrowing allowance minus the participant's borrowing in the previous TLTROs-II.

Let $C_k \geq 0$ be the borrowing of a participant in TLTRO-II k. The bid limit BL_k for this participant in operation k is:

$$BL_1 = BA_1 \text{ and}$$

$$BL_k = BA_k - \sum_{j=1}^{k-1} C_j, \text{ for k = 2, 3, 4.}$$

2. **Calculation of benchmarks**

Let NL_m be the eligible net lending of a participant in calendar month m, calculated as the participant's gross flow of new eligible loans in that month less repayments of eligible loans, as defined in Annex II.

Denote by NLB the benchmark net lending for this participant. This is defined as follows:

$$NLB = \min(NL_{Feb2015} + NL_{March2015} + \ldots + NL_{Jan2016}, 0)$$

This implies that if the participant has positive or zero eligible net lending in the first reference period, then $NLB = 0$. If, however, the participant has negative eligible net lending in the first reference period, then $NLB = NL_{Feb2015} + NL_{March2015} + \ldots + NL_{Jan2016}$.

[1] References to a 'participant' should be understood as applying to individual participants or TLTRO-II groups.

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Denote by *OAB* a participant's benchmark outstanding amount. This is defined as follows:

$OAB = \max(OL_{Jan2016} + NLB, 0)$

3. **Calculation of interest rate**

Let $NS_{Jan2018}$ denote the amount obtained by summing the eligible net lending over the period 1 February 2016 to 31 January 2018 and the amount of eligible loans outstanding as at 31 January 2016; this is calculated as $NS_{Jan2018} = OL_{Jan2016} + NL_{Feb2016} + NL_{March2016} + \ldots + NL_{Jan2018}$

Denote now *EX* by the percentage deviation of $NS_{Jan2018}$ from the benchmark outstanding amount, that is,

$$EX = \frac{(NS_{Jan2018} - OAB)}{OAB} \times 100$$

Where *OAB* is equal to zero, *EX* is deemed to equal 2,5.

Let r_k be an interest rate to be applied for TLTRO-II *k*. Let MRO_k and DF_k be the main refinancing operation (MRO) rate and the deposit facility rate, expressed as annual percentage rates, prevailing at the time of allotment of TLTRO-II *k*, respectively. The interest rate is determined as follows:

(a) If a participant does not exceed its benchmark outstanding amount of eligible loans as at 31 January 2018, the interest rate to be applied to all amounts borrowed by the participant under TLTROs-II equals the MRO rate applicable at the time of the allotment of each TLTRO-II, that is:

if $EX \leq 0$, then $r_k = MRO_k$.

(b) If a participant exceeds its benchmark outstanding amount of eligible loans by at least 2,5 % as at 31 January 2018, the interest rate to be applied to all amounts borrowed by the participant under TLTROs-II equals the deposit facility rate applicable at the time of the allotment of each TLTRO-II, that is,

if $EX \geq 2{,}5$, then $r_k = DF_k$.

(c) If a participant exceeds its benchmark outstanding amount of eligible loans but by less than by 2,5 % as at 31 January 2018, the interest rate to be applied to all amounts borrowed by the participant under TLTROs-II is graduated linearly depending on the percentage by which the participant exceeds its benchmark outstanding amounts of eligible loans, that is,

if $0 < EX < 2{,}5$, then $r_k = MRO_k - \frac{(MRO_k - DF_k) \times EX}{2{,}5}$.

The interest rate will be expressed as an annual percentage rate, rounded down to the next fourth decimal position.

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ANNEX II

THE SECOND SERIES OF TARGETED LONGER-TERM REFINANCING OPERATIONS — GUIDELINES FOR COMPILING DATA REQUIRED BY THE REPORTING TEMPLATE

1. **Introduction** ([1])

These guidelines provide instructions for compiling the data reports that participants in the TLTROs-II must submit in accordance with Article 7. The reporting requirements are presented in the reporting template at the end of this Annex. These guidelines also specify the reporting requirements of lead institutions of TLTRO-II groups participating in the operations.

Section 2 and 3 provide general information relating to the compilation and transmission of the data and section 4 explains the indicators to be reported.

2. **General information**

The measures to be used in the calculation of the borrowing allowance relate to monetary financial institution (MFI) loans to euro area non-financial corporations and MFI loans to euro area households ([2]), excluding loans for house purchases, in all currencies. In accordance with Article 7, data reports must be submitted for the two reference periods defined in Article 1. In particular, information on outstanding amounts of eligible loans at the end of the month preceding the start of the period and at the end of the period, as well as eligible net lending during the period (calculated as gross lending net of loan repayments) must be reported separately for non-financial corporations and for households. Outstanding amounts of eligible loans are adjusted to account for loans which are securitised or otherwise transferred and not derecognised. Detailed information is also required on the relevant sub-components of these items, as well as on effects that result in changes to outstanding amounts of eligible loans but that are not related to eligible net lending (hereinafter 'adjustments to the outstanding amounts'), also covering loan sales and purchases and other loan transfers.

As regards the use of the collected information, data on outstanding amounts of eligible loans as at 31 January 2016 will be used to determine the borrowing allowance. In addition, data on eligible net lending during the first reference period will be used for the calculation of the benchmark net lending and the benchmark outstanding amount. Meanwhile data on eligible net lending during the second reference period will be used to assess the lending developments and, consequently, the interest rates applicable. All other indicators included in the template are necessary to verify the internal consistency of the information and its consistency with the statistical data collected within the Eurosystem, as well as for in-depth monitoring of the impact of the TLTRO-II programme.

The general framework underlying the completion of the data reports is provided by the reporting requirements of euro area MFIs in the context of MFI balance sheet items (BSI) statistics, as specified in Regulation (EU) No 1071/2013 (ECB/2013/33). In particular, as regards loans, Article 8(2) of Regulation (EU) No 1071/2013 (ECB/2013/33) requires that they 'shall be reported at their principal amount outstanding at the end of the month. Write-offs and write-downs as determined by the relevant accounting practices shall be excluded from this amount. […] loans shall not be netted against any other assets or liabilities'. However, in

([1]) The conceptual framework underlying the reporting requirements remains unchanged in comparison to that specified in Decision ECB/2014/34.

([2]) For the purposes of the data reports, 'households' includes non-profit institutions serving households.

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contrast to the rules laid down in Article 8(2), which also imply that loans are to be reported gross of provisions, Article 8(4) states that 'NCBs may allow the reporting of provisioned loans net of provisions and the reporting of purchased loans at the price agreed at the time of their acquisition [i.e. their transaction value], provided that such reporting practices are applied by all resident reporting agents'. The implications that this deviation from the general BSI guidance has for the compilation of the data reports are reviewed in more detail below.

Regulation (EU) No 1071/2013 (ECB/2013/33) should also be used as the reference document as regards the definitions to be applied in the compilation of the data reports. See, in particular, Article 1 for general definitions, and Parts 2 and 3 of Annex II for a definition of the categories of instruments to be covered under 'loans' and of the sectors of participants respectively. Importantly, in the BSI framework accrued interest receivable on loans is, as a rule, subject to on-balance-sheet recording as it accrues (i.e. on an accrual basis rather when it is actually received), but should be excluded from the data on outstanding amounts of loans. However, capitalised interest should be recorded as part of the outstanding amounts.

While much of the data to be reported are already compiled by MFIs in accordance with the requirements of Regulation (EU) No 1071/2013 (ECB/2013/33), some additional information must be compiled by participants bidding in TLTRO-II. The methodological framework for BSI statistics, as laid down in the Manual on MFI balance sheet statistics [1], provides all the background information required in order to compile these additional data; further details are provided in point 4 regarding the definitions of the individual indicators.

3. **General reporting instructions**

(a) Structure of the reporting template

The template includes an indication of the period to which the data refer and groups the indicators into two blocks: MFI loans to euro area non-financial corporations and MFI loans to euro area households, excluding loans for house purchases. The data in all cells highlighted in yellow are calculated from the data entered in the other cells, based on the formulas provided. The template also incorporates a validation rule that verifies the consistency between outstanding amounts and transactions.

(b) Definition of the 'reporting period'

The reporting period denotes the date range to which the data refer. There are two reporting periods in the TLTRO-II, i.e. the 'first reference period', 1 February 2015 to 31 January 2016, and the 'second reference period', 1 February 2016 to 31 January 2018. Indicators relating to outstanding amounts must be reported as at the end of the month preceding the start of the reporting period and at the end of the reporting period; therefore, for the first reference period outstanding amounts must be reported as at 31 January 2015 and

[1] See the 'Manual on MFI balance sheet statistics', ECB, April 2012, available on the ECB's website at www.ecb.europa.eu. In particular, Section 2.1.4, p. 76, deals with the statistical reporting of loans.

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31 January 2016, and for the second reference period outstanding amounts must be reported as at 31 January 2016 and 31 January 2018. In turn, data on transactions and adjustments must cover all relevant effects that take place during the reporting period.

(c) Reporting in respect of TLTRO-II groups

In respect of group participation in the TLTROs-II, data should be reported, as a rule, on an aggregated basis. However, national central banks of Member States whose currency is the euro (NCBs) have the option of collecting the information on an individual institution basis, if deemed appropriate.

(d) Transmission of the data reports

The completed data reports should be transmitted to the relevant NCB as specified in Article 7 and in accordance with the indicative calendar for TLTROs-II published on the ECB's website, which also stipulates the reference periods to be covered in each transmission and which data vintages should be used for the compilation of the data.

(e) Unit of the data

Data must be reported in terms of thousands of euro.

4. **Definitions**

This section provides definitions of the items to be reported; the numbering used in the reporting template is indicated in brackets.

(a) Outstanding amounts of eligible loans (1 and 4)

The data in these cells are calculated on the basis of the figures reported in respect of the subsequent items, namely ‘Outstanding amounts on the balance sheet’ (1.1 and 4.1), minus ‘Outstanding amounts of loans that are securitised or otherwise transferred but not derecognised from the balance sheet’ (1.2 and 4.2), plus ‘Outstanding provisions against eligible loans’ (1.3 and 4.3). The latter sub-term is relevant only in cases where, contrary to the general BSI practice, loans are reported net of provisions.

(i) Outstanding amounts on the balance sheet (1.1 and 4.1)

This item comprises outstanding amounts of loans granted to euro area non-financial corporations and households, excluding loans for house purchase. Accrued interest, as opposed to capitalised interest, is excluded from the indicators.

These cells on the template are directly linked to the requirements of Part 2 of Annex I to Regulation (EU) No 1071/2013 (ECB/2013/33) (Block 2 of Table 1 on monthly stocks).

For a more detailed definition of the items to be included in the data reports, see Part 2 of Annex II to Regulation (EU) No 1071/2013 (ECB/2013/33) and Section 2.1.4 of the Manual on MFI balance sheet statistics.

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(ii) Outstanding amounts of loans that are securitised or otherwise transferred but not derecognised from the balance sheet (1.2 and 4.2)

This item comprises the outstanding amounts of loans that are securitised or otherwise transferred but which have not been derecognised from the balance sheet. All securitisation activities must be reported, regardless of where the financial vehicle corporations involved are resident. Loans provided as collateral to the Eurosystem for monetary policy credit operations in the form of credit claims, which result in a transfer without derecognition from the balance sheet are excluded from this item.

Part 5 of Annex I to Regulation (EU) No 1071/2013 (ECB/2013/33) (Block 5.1 of Table 5a on monthly data) covers the required information on securitised loans to non-financial corporations and households that have not been derecognised, but does not require the latter to be broken down by purpose. In addition, outstanding amounts of loans which have been otherwise transferred (i.e. not through a securitisation) but are not derecognised, are not covered by Regulation (EU) No 1071/2013 (ECB/2013/33). For the purposes of compiling the data reports, separate data extractions from the MFIs' internal databases are thus required.

For additional details of the items to be included in the data reports, see Part 5 of Annex I to Regulation (EU) No 1071/2013 (ECB/2013/33) and Section 2.3 of the Manual on MFI balance sheet statistics.

(iii) Outstanding provisions against eligible loans (1.3 and 4.3)

These data are relevant only for those institutions that, contrary to the general BSI practice, report loans net of provisions. In the case of institutions bidding as a TLTRO-II group, this requirement only applies to those institutions in the group that record loans net of provisions.

This item includes individual and collective allowances for impairment and loan losses (before write-offs and write-downs take place). The data must refer to outstanding eligible loans on the balance sheet, i.e. excluding loans that are securitised or otherwise transferred which have not been derecognised from the balance sheet.

As stated in the third subparagraph of point 2, in BSI statistics loans should be reported, as a rule, at the principal outstanding amount, with the corresponding provisions being allocated to ‘Capital and reserves’. In such cases, no separate information on provisions should be reported. At the same time, in cases where loans are reported net of provisions, this additional information must be reported in order to gather fully comparable data across MFIs.

Where it is the practice to report outstanding amounts of loans net of provisions, NCBs have the option of making the reporting of this information non-mandatory. However, in such cases the

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calculations under the TLTRO-II framework will be based on amounts of outstanding loans on the balance sheet net of provisions ([1]).

For additional details, see the reference to provisions in the definition of 'Capital and reserves' provided in Part 2 of Annex II to Regulation (EU) No 1071/2013 (ECB/2013/33).

(b) Eligible net lending (2)

These cells of the reporting template record the net lending (transactions) granted during the reporting period. The data are calculated on the basis of the figures reported for the sub-items, namely 'Gross lending' (2.1) minus 'Repayments' (2.2).

Loans which are renegotiated during the reporting period should be reported both as 'Repayments' and as 'Gross lending' at the time when the renegotiation takes place. Adjustment data must include effects relating to loan renegotiation.

Reversed transactions during the period (i.e. loans granted and repaid during the period) should in principle be reported both as 'Gross lending' and as 'Repayments'. However, it is also permissible for bidding MFIs to exclude these operations when compiling the data reports, to the extent that this would alleviate their reporting burden. In this case, they should inform the relevant NCB and the data on adjustments to the outstanding amounts must also exclude effects relating to these reversed operations. This exception does not apply to loans granted during the period which are securitised or otherwise transferred.

Credit card debt, revolving loans and overdrafts should also be considered. For these instruments, changes in balances owing to amounts used or withdrawn during the reporting periods should be used as proxies for net lending. Positive amounts should be reported as 'Gross lending' (2.1), whereas negative amounts should be reported (with the positive sign) as 'Repayments' (2.2).

(i) Gross lending (2.1)

This item comprises the flow of gross new loans in the reporting period, excluding any loan acquisitions. Credit granted that relates to credit card debt, revolving loans and overdrafts should also be reported, as explained above.

Amounts added during the period to customer balances due, for instance, to interest capitalisation (as opposed to interest accruals) and fees, should also be included.

([1]) This exception also has implications for the reporting of data on write-offs and write-downs, as clarified below.

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(ii) Repayments (2.2)

This item comprises the flow of repayments of principal during the reporting period, excluding those relating to securitised or otherwise transferred loans which are not derecognised from the balance sheet. Repayments relating to credit card debt, revolving loans and overdrafts should also be reported, as explained above.

Interest payments relating to accrued interest not yet capitalised, loan disposals and other adjustments to the outstanding amounts (including write-offs and write-downs) should not be reported.

(c) Adjustments to the outstanding amounts

These cells of the reporting template are for reporting changes in outstanding amounts (reductions (–) and increases (+)) occurring during the reporting period which are not related to net lending. Such changes arise from operations such as loan securitisations and other loan transfers during the reporting period, and from other adjustments related to revaluations owing to changes in exchange rates, loan write-offs and write-downs and reclassifications. The data in these cells are automatically calculated on the basis of the figures reported under the sub-items, namely 'Loan sales and purchases and other loan transfers during the reporting period' (3.1) plus 'Other adjustments' (3.2).

(i) Loan sales and purchases and other loan transfers during the reporting period (3.1)

— Net flows of securitised loans with an impact on loan stocks (3.1 A)

This item comprises the net amount of loans that are securitised during the reporting period with an impact on reported loan stocks, calculated as acquisitions minus disposals ([1]). All securitisation activities must be reported, regardless of where the financial vehicle corporations involved are resident. Loan transfers should be recorded at the nominal amount net of write-offs and write-downs at the time of the sale. These write-offs and write-downs should be reported, where identifiable, under item 3.2B in the template (see below). In the case of MFIs that report loans net of provisions, the transfers should be recorded at the balance sheet value (i.e. the nominal amount net of outstanding provisions) ([2]).

The requirements of Part 5 of Annex I to Regulation (EU) No 1071/2013 (ECB/2013/33) (Blocks 1.1 of Table 5a on monthly data and Table 5b on quarterly data) cover these elements.

For a more detailed definition of the items to be reported, see Part 5 of Annex I to Regulation (EU) No 1071/2013 (ECB/2013/33) and Section 2.3 of the Manual on MFI balance sheet statistics.

([1]) This sign convention (which is the opposite of the requirements of Regulation (EU) No 1071/2013 (ECB/2013/33)) is consistent with the general requirement regarding adjustment data, as specified above — i.e. effects leading to increases or decreases in outstanding amounts are to be reported, respectively, with a positive or negative symbol.

([2]) Regulation (EU) No 1071/2013 (ECB/2013/33) allows MFIs to report purchased loans at their transaction value as long as this is a national practice applied by all MFIs resident in the country. In such cases, revaluation components that may arise must be reported under item 3.2B.

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— Net flows of loans that are otherwise transferred with an impact on loan stocks (3.1B)

This item comprises the net amount of loans disposed of or acquired during the period with an impact on reported loan stocks in operations not related to securitisation activities, and is calculated as acquisitions minus disposals. The transfers should be recorded at the nominal amount net of write-offs and write-downs at the time of the sale. These write-offs and write-downs should be reported, where identifiable, under item 3.2B. In the case of MFIs that report loans net of provisions, the transfers should be recorded at the balance sheet value (i.e. the nominal amount net of outstanding provisions).

The requirements of Part 5 of Annex I to Regulation (EU) No 1071/2013 (ECB/2013/33) partly cover these elements. Blocks 1.2 of Table 5a on monthly data and Table 5b on quarterly data cover data on net flows of loans that are otherwise transferred with an impact on loan stocks, but exclude:

(1) loans disposed of to, or acquired from, another domestic MFI, including intra-group transfers owing to corporate business restructuring (e.g. the transfer of a pool of loans by a domestic MFI subsidiary to the parent MFI);

(2) loan transfers in the context of intra-group reorganisations owing to mergers, acquisitions and divisions.

For the purposes of compiling the data reports, all of these effects must be reported. For additional details on the items to be reported, see Part 5 of Annex I to Regulation (EU) No 1071/2013 (ECB/2013/33) and Section 2.3 of the Manual on MFI balance sheet statistics. With regard to ‘Changes in the structure of the MFI sector’, Section 1.6.3.4 of the Manual on MFI balance sheet statistics (and the related Section 5.2 of Annex 1.1) provides a detailed description of intra-group transfers, distinguishing between cases where transfers take place between separate institutional units (e.g. before one or more of the units cease to exist in a merger or acquisition) and those that take place at the moment when some units cease to exist, in which case a statistical reclassification should be carried out. For the purposes of compiling the data reports, in both cases the implications are the same and the data should be reported under item 3.1C (and not under item 3.2C).

— Net flows of loans that are securitised or otherwise transferred without any impact on loan stocks (3.1C)

This item comprises the net amount of loans that are securitised or otherwise transferred during the reporting period without any impact on the reported loan stocks, and is calculated as acquisitions minus disposals. The transfers should be recorded at the nominal amount net of write-offs and write-downs at the time of the sale. These write-offs and write-downs should be reported, where identifiable, under item 3.2B. In the case of MFIs that report loans net of provisions, the transfers should

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be recorded at the balance sheet value (i.e. the nominal amount net of outstanding provisions). Net flows relating to the provision of loans as collateral to the Eurosystem for monetary policy credit operations in the form of credit claims which result in a transfer without derecognition from the balance sheet are excluded from this item.

The requirements of Part 5 of Annex I to Regulation (EU) No 1071/2013 (ECB/2013/33) partly cover these elements. Blocks 2.1 of Table 5a on monthly data and Table 5b on quarterly data cover data on net flows of loans that are securitised or otherwise transferred without any impact on loan stocks, but loans to households for house purchase are not separately identified and should thus be extracted from the MFIs' internal databases separately. In addition, as specified above, the requirements exclude:

(1) loans disposed of to, or acquired from, another domestic MFI, including intra-group transfers owing to corporate business restructuring (e.g. when a domestic MFI subsidiary transfers a pool of loans to the parent MFI);

(2) loan transfers in the context of intra-group reorganisations owing to mergers, acquisitions and divisions.

For the purposes of compiling the data reports, all of these effects must be reported.

For additional details on the items to be included, see Part 5 of Annex I to Regulation (EU) No 1071/2013 (ECB/2013/33) and Section 2.3 of the Manual on MFI balance sheet statistics.

(ii) Other adjustments (3.2)

Data on other adjustments must be reported for outstanding eligible loans on the balance sheet, excluding securitised or otherwise transferred loans which are not derecognised.

— Revaluations owing to changes in exchange rates (3.2 A)

Movements in exchange rates against the euro give rise to changes in the value of loans denominated in foreign currencies when they are expressed in euro. Data on these effects should be reported with a negative (positive) sign when in net terms they give rise to a reduction (increase) in outstanding amounts, and are necessary to allow a full reconciliation between net lending and changes in outstanding amounts.

These adjustments are not covered under the requirements laid down by Regulation (EU) No 1071/2013 (ECB/2013/33). For the purposes of the data reports, if the data (or even an approximation) are not readily available to MFIs, they can be calculated in accordance with the guidance provided in Section 4.2.2 of the Manual on MFI balance sheet statistics. The suggested estimation procedure limits the scope of the calculations to major currencies and is based on the following steps:

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(1) the outstanding amounts of eligible loans at the end of the month preceding the start of the period and at the end of the period (items 1 and 4) are broken down by currency of denomination, focusing on the pools of loans denominated in GBP, USD, CHF and JPY. If these data are not readily available, data on total outstanding amounts on the balance sheet, including securitised or otherwise transferred loans which are not derecognised — items 1.1 and 4.1 — may be used;

(2) each pool of loans is treated as follows. The relevant equation numbers in the Manual on MFI balance sheet statistics are provided in brackets:

— outstanding amounts at the end of the month preceding the start of the reporting period and at the end of the period are converted into the original currency of denomination, using the corresponding nominal exchange rates [1] (equations [4.2.2] and [4.2.3]),

— the change in outstanding amounts during the reference period denominated in foreign currency is computed and converted back into euro using the average value of the daily exchange rates during the reporting period (equation [4.2.4]),

— the difference between the change in outstanding amounts converted into euro, as calculated in the previous step, and the change in outstanding amounts in euro is computed (equation [4.2.5], with the opposite sign);

(3) the final exchange rate adjustment is estimated as the sum of the adjustments for each currency.

For additional information, see Sections 1.6.3.5 and 4.2.2 of the Manual on MFI balance sheet statistics.

— Write-offs/write-downs (3.2B)

In accordance with point (g) of Article 1 of Regulation (EU) No 1071/2013 (ECB/2013/33), '"write-down" means the direct reduction of the carrying amount of a loan on the statistical balance sheet owing to its impairment.' Similarly, in accordance with point (h) Article 1 of the same Regulation '"write-off" means a write-down of the full carrying amount of a loan leading to its removal from the balance sheet.' The effects of write-downs and write-offs should be reported with a negative or positive sign when in net terms they result in a reduction or increase, as applicable, in outstanding amounts. These data are necessary to allow a full reconciliation between net lending and changes in outstanding amounts.

As regards write-offs and write-downs relating to outstanding loans on the balance sheet, data compiled to comply with the minimum requirements of Part 4 of Annex I to Regulation (EU) No 1071/2013 (ECB/2013/33) Table 1A on monthly revaluation adjustments) can be used. However, disentangling the impact of loan write-offs and write-downs on securitised or otherwise transferred loans which are not derecognised requires a separate data extraction from the MFIs' internal databases.

[1] ECB reference exchange rates should be used. See the press release of 8 July 1998 on the setting–up of common market standards which is available on the ECB's website www.ecb.europa.eu.

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Data on outstanding amounts of eligible loans (items 1 and 4) are in principle corrected for the outstanding amounts of provisions in cases where loans are recorded net of provisions on the statistical balance sheet.

— In cases where participants report items 1.3 and 4.3, data on loan write-offs and write-downs should incorporate the cancellation of past provisions on loans that have become (partly or fully) unrecoverable and, in addition, should also include any losses in excess of the provisions, if applicable. Similarly, when a provisioned loan is securitised or otherwise transferred, a write-off or write-down needs to be recorded that is equal to the outstanding provisions, with the opposite sign, in order to match the change in the value on the balance sheet, corrected for the amounts of provisions and the value of the net flow. Provisions may change over time as a result of new allowances for impairment and loan losses (net of possible reversals, including those that take place when a loan is repaid by the borrower). Such changes should not be recorded in the data reports as part of write-offs/write-downs (as the data reports reconstruct values gross of provisions) ([1]).

  Disentangling the impact of loan write-offs and write-downs on securitised or otherwise transferred loans which are not derecognised may be omitted if separate data on provisions cannot be extracted from the MFIs' internal databases.

— Where it is the practice that outstanding amounts of loans are reported net of provisions, but the relevant items (1.3 and 4.3) relating to provisions are not reported (see point 4(a)), write-offs/write-downs must include new allowances for impairment and loan losses on the loan portfolio (net of possible reversals, including those that take place when a loan is repaid by the borrower) ([2]).

  It is not necessary to disentangle the impact of write-offs and write-downs on securitised or otherwise transferred loans which are not derecognised if separate data on provisions cannot be extracted from the MFIs' internal databases.

  In principle, these items also cover revaluations arising when loans are securitised or otherwise transferred and the transaction value differs from the nominal amount outstanding when the transfer takes place. These revaluations must be reported, where identifiable, and should be calculated as the difference between the transaction value and the nominal amount outstanding at the time of the sale.

  For additional information, see Part 4 of Annex I to Regulation (EU) No 1071/2013 (ECB/2013/33) and Section 1.6.3.3 of the Manual on MFI balance sheet statistics.

([1]) This requirement differs from the reporting requirements under Regulation (EU) No 1071/2013 (ECB/2013/33).

([2]) This requirement is the same as the information to be reported under Regulation (EU) No 1071/2013 (ECB/2013/33) by MFIs recording loans net of provisions.

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— Reclassifications (3.2C)

Reclassifications record all other effects that are not related to net lending, as defined in point 4(b), but result in changes in the outstanding amounts of loans on the balance sheet, excluding securitised or otherwise transferred loans which are not derecognised.

These effects are not covered under the requirements laid down by Regulation (EU) No 1071/2013 (ECB/2013/33) and their impact is normally estimated on an aggregated basis when compiling macroeconomic statistics. However, they are important at the level of individual institutions (or TLTRO-II groups) in order to reconcile net lending and changes in outstanding amounts.

The following effects must be reported, in respect of the outstanding amounts of loans on the balance sheet, excluding securitised or otherwise transferred loans which are not derecognised and the usual convention of recording effects leading to reductions (increases) in outstanding amounts with a negative (positive) sign applies.

(1) Changes in the sector classification or area of residence of borrowers that result in changes in the reported outstanding positions which are not due to net lending and thus need to be recorded.

(2) Changes in the classification of instruments. These may also affect the indicators if the outstanding amounts of loans increase or decrease owing, for instance, to the reclassification of a debt security as a loan or a loan as a debt security.

(3) Adjustments that result from the correction of reporting errors, in accordance with instructions received from the relevant NCB pursuant to point (c) of Article 8(1).

In accordance with Article 7(6), corporate reorganisations and changes in the composition of TLTRO-II groups normally result in the need to resubmit the first data report to reflect the new corporate structure and TLTRO-II group composition. Hence, no reclassifications are used in respect of those events.

For additional information, see Section 1.6.3.4 of the Manual on MFI balance sheet statistics. However, the conceptual differences highlighted above should be taken into account for the purposes of deriving reclassification data at the level of individual institutions.

TLTRO-II reporting

Reporting period: ....

Loans to non-financial corporations and households, excluding loans to households for house purchase (EUR thousands)

		Loans to non-financial corporations	Loans to households (including non-profit institutions serving households), excluding loans for house purchase	item	formula	validation
Main aggregates						
1	**Outstanding amounts of eligible loans at the end of the month preceding the start of the reporting period**	**0**	**0**	**1**	**1 = 1.1 – 1.2** ***(+ 1.3)***	
2	**Eligible net lending in the reporting period**	**0**	**0**	**2**	**2 = 2.1 – 2.2**	
3	**Adjustments to the outstanding amounts: reductions (–) and increases (+)**	**0**	**0**	3	3 = 3.1 + 3.2	
4	**Outstanding amounts of eligible loans at the end of the reporting period**	**0**	**0**	**4**	**4 = 4.1 – 4.2** ***(+ 4.3)***	**4 = 1 + 2 + 3**
Underlying items						
	Outstanding amounts of eligible loans at the end of the month preceding the start of the reporting period					
1.1	Outstanding amounts on the balance sheet			1.1		
1.2	Outstanding amounts of loans securitised or otherwise transferred but not derecognised from the balance sheet			1.2		
1.3	Outstanding provisions against eligible loans (*)			1.3		
	Eligible net lending in the reporting period					
2.1	Gross lending			2.1		
2.2	Repayments			2.2		

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	Adjustments to the outstanding amounts: reductions (–) and increases (+)				
3.1	Loan sales and purchases and other loan transfers during the reporting period	0	0	3.1	3.1 = 3.1A + 3.1B + 3.1C
3.1A	Net flows of loans that are securitised with an impact on loan stocks			3.1A	
3.1B	Net flows of loans that are otherwise transferred with an impact on loan stocks			3.1B	
3.1C	Net flows of loans that are securitised or otherwise transferred without any impact on loan stocks			3.1C	
3.2	Other adjustments	0	0	3.2	3.2 = 3.2A + 3.2B + 3.2C
3.2A	Revaluations owing to changes in exchange rates			3.2A	
3.2B	Write-offs/write-downs			3.2B	
3.2C	Reclassifications			3.2C	
	Outstanding amounts of eligible loans at the end of the reporting period				
4.1	Outstanding amounts on the balance sheet			4.1	
4.2	Outstanding amounts of loans securitised or otherwise transferred but not derecognised from the balance sheet			4.2	
4.3	Outstanding provisions against eligible loans (*)			4.3	

(*) Only applicable in those cases where loans are reported net of provisions; see the reporting instructions for more details.