

PRESS RELEASE

12 September 2019

Monetary policy decisions

At today's meeting the Governing Council of the ECB took the following monetary policy decisions:

(1) The interest rate on the deposit facility will be decreased by 10 basis points to -0.50%. The interest rate on the main refinancing operations and the rate on the marginal lending facility will remain unchanged at their current levels of 0.00% and 0.25% respectively. The Governing Council now expects the key ECB interest rates to remain at their present or lower levels until it has seen the inflation outlook robustly converge to a level sufficiently close to, but below, 2% within its projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics.

(2) Net purchases will be restarted under the Governing Council's asset purchase programme (APP) at a monthly pace of €20 billion as from 1 November. The Governing Council expects them to run for as long as necessary to reinforce the accommodative impact of its policy rates, and to end shortly before it starts raising the key ECB interest rates.

(3) Reinvestments of the principal payments from maturing securities purchased under the APP will continue, in full, for an extended period of time past the date when the Governing Council starts raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

(4) The modalities of the new series of quarterly targeted longer-term refinancing operations (TLTRO III) will be changed to preserve favourable bank lending conditions, ensure the smooth transmission of monetary policy and further support the accommodative stance of monetary policy. The interest rate in each operation will now be set at the level of the average rate applied in the Eurosystem's main refinancing operations over the life of the respective TLTRO. For banks whose eligible net lending exceeds a benchmark, the rate applied in TLTRO III operations will be lower, and can be as low as the average interest rate on the deposit facility prevailing over the life of the operation. The maturity of the operations will be extended from two to three years.

(5) In order to support the bank-based transmission of monetary policy, a two-tier system for reserve remuneration will be introduced, in which part of banks' holdings of excess liquidity will be exempt from the negative deposit facility rate.

Separate press releases with further details of the measures taken by the Governing Council will be published this afternoon at 15:30 CET.

The President of the ECB will comment on the considerations underlying these decisions at a press conference starting at 14:30 CET today.