



EUROPEAN CENTRAL BANK

EUROSYSTEM

**25 September 2020**

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

August-September 2020

### **Market operations**

*Repo line arrangements with the central banks of the Republic of North Macedonia and the Republic of San Marino*

On 18 August 2020 the ECB announced that the Governing Council had approved the setting-up of two repo line arrangements to provide euro liquidity to, respectively, the National Bank of the Republic of North Macedonia and the Central Bank of the Republic of San Marino. This was to address possible euro liquidity needs in the presence of market dysfunctions owing to the coronavirus (COVID-19) shock. The related press releases are available on the ECB's website.

*Reduced frequency of seven-day US dollar liquidity-providing operations*

On 20 August 2020 the Governing Council decided to change the frequency of US dollar liquidity-providing operations with a maturity of seven days from three times per week to once per week, with effect from 1 September 2020. In view of continuing improvements in US dollar funding conditions and the low demand for recent seven-day US dollar liquidity-providing operations, the swap network central banks (comprising the Bank of England, the Bank of Japan, the ECB, the Swiss National Bank and the Federal Reserve) have jointly decided to reduce the frequency. This coordinated action was announced by means of press releases issued simultaneously on the websites of all the swap network central banks.

*Extension of euro liquidity lines with the central banks of Croatia and Romania*

On 28 August 2020 the ECB announced that the Governing Council had approved the extension of euro liquidity lines established with Hrvatska narodna banka and Banca Națională a României by six months until the end of June 2021. The arrangements were made earlier this year to provide euro liquidity to financial institutions in the two countries via their respective national central banks to address possible euro liquidity needs in the presence of market dysfunctions owing to the COVID-19 shock. The related press release is available on the ECB's website.

*Guideline amending the Eurosystem reserve management services (ERMS) framework*

On 7 September 2020 the Governing Council adopted Guideline (EU) 2020/1284 amending Guideline (EU) 2018/797 on the Eurosystem's provision of reserve management services in euro to central banks and countries located outside the euro area and to international organisations (ECB/2020/34). The amendments are aimed at further increasing transparency in reporting and information sharing within the Eurosystem and improving analysis of the functioning of the ERMS. The Eurosystem central banks are to comply with the amending Guideline from 1 April 2021. The amending Guideline is available in EUR-Lex.

*Decision amending Decision (EU) 2019/1743 on the remuneration of holdings of excess reserves and of certain deposits*

On 8 September 2020 the Governing Council adopted Decision (EU) 2020/1264 amending Decision (EU) 2019/1743 on the remuneration of holdings of excess reserves and of certain deposits (ECB/2020/38) in connection with the administration of loans disbursed under the instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE) recently established by the European Commission. The amending decision is the technical implementation of the decision taken by the Governing Council in July 2020 in relation to operational arrangements of loans provided under the SURE instrument. The amending decision entered into force on 16 September 2020 and is available in EUR-Lex.

*Eligibility of marketable assets with coupon structures linked to sustainability targets*

On 21 September 2020 the Governing Council decided to accept marketable debt instruments with coupon structures linked to certain sustainability performance targets as eligible collateral for Eurosystem monetary policy operations and also for Eurosystem outright purchases for monetary policy purposes, provided they also meet all other relevant eligibility criteria. The decision will become applicable on 1 January 2021. The related press release is available on the ECB's website.

*External audit of the euro short-term rate (€STR)*

On 22 September 2020 the Governing Council considered a report prepared by the external auditor PricewaterhouseCoopers, entitled "Independent assurance report over the European Central Bank's (ECB) Statement of Compliance with control processes defined in relation to governance, quality and accountability activities over the Euro Short-Term Rate (€STR) and its adherence to the International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks" and authorised its publication on the ECB's website. The publication of the Assurance Report will complete the last remaining step in the implementation of the €STR as laid down in the respective ECB Guidelines. The document will be available on the ECB's website shortly.

## **Market infrastructure and payments**

*Amendments to agreements on TARGET2-Securities*

On 28 July 2020 the Governing Council took note of revisions related to Schedules 6 of the TARGET2-Securities Framework Agreement (T2S FA) and the TARGET2-Securities Currency Participation

Agreement (T2S CPA). These documents set out the service level agreement (SLA), which defines in particular (i) the service levels under which the Eurosystem is to provide the T2S services to the participating Central Securities Depositories (CSDs) and the connected non-euro area central banks, and (ii) the key performance indicators. The amendments to Schedules 6 of the T2S FA and the T2S CPA were triggered as part of the regular review process of the SLA.

#### *2014-18 report on card fraud*

On 6 August 2020 the Governing Council approved the sixth report on card fraud and authorised its publication. This report analyses developments in card payment fraud, focusing on 2018 data within the overall context of a five-year period from 2014 to 2018, broken down by Single Euro Payments Area (SEPA) country. Fraud decreased between 2015 and 2017, before increasing slightly in 2018. As in previous years, the majority of fraudulent card transactions in 2018 were conducted remotely, by mail, phone or online. The overall level of fraudulent transactions and the newly emerging ways of committing card fraud highlight the importance of continuously monitoring fraud and implementing enhanced security measures. The report is available on the ECB's website.

#### *ECB response to European Commission's consultation on a new digital finance strategy for Europe/fintech action plan*

On 13 August 2020 the Governing Council approved a joint contribution by the European System of Central Banks (ESCB) and ECB Banking Supervision to the European Commission's consultation on a new digital finance strategy for Europe/fintech action plan and authorised its publication. The ECB broadly supports the priority areas identified by the European Commission in the consultation document and considers that the digital transformation of the banking sector has to be conducted taking due account of the risks related to the use of innovative technologies. With regard to facilitating the use of digital financial identities throughout the EU, the ECB fully endorses the mandatory use of unique identifiers, based on internationally recognised global standards. The ECB supports the need for enhanced cooperation throughout the EU on different schemes such as regulatory sandboxes and innovation hubs, and acknowledges the benefits of fostering an open dialogue between supervisors and supervised entities. The ECB considers that open finance can have implications for the supervised banks, at both entity and systemic levels, and is adapting its supervisory approach towards the regulated entities to the new landscape that the revised Payment Services Directive (PSD2) has enabled. It furthermore recognises the importance of ensuring that customer data sharing, also with third-party providers, meets clear legal requirements and fulfils security standards. The ECB contribution is available on the ECB's website.

#### *Report of the internal crypto assets task force on the implications of stablecoins*

On 15 September 2020 the Governing Council took note of a report on the implications of stablecoins for monetary policy, financial stability, market infrastructure and payments, and banking supervision in the euro area. The paper summarises the outcome of an analysis on stablecoins undertaken by the ECB internal Crypto-Assets Task Force and assesses stablecoins' implications for the euro area based on

three scenarios derived from stablecoins' features: (1) crypto-assets' accessory function; (2) new payment method; (3) alternative store of value. The report is available on the ECB's website.

#### *Report of the Eurosystem High-Level Task Force on Central Bank Digital Currency*

On 23 September 2020 the Governing Council considered a report, prepared by the Eurosystem High-Level Task Force on Central Bank Digital Currency (HLTF-CBDC) mandated in January 2020 by the Governing Council to prepare a comprehensive analysis of the possible benefits and challenges related to CBDC, including functional and technological issues. Having discussed the main conclusions of the report, the Governing Council approved its publication on the ECB's website and mandated the HLTF-CBDC to engage with different stakeholder groups on its findings. The report will be available on the ECB's website shortly. The related public consultation will be launched in mid-October 2020.

## **Advice on legislation**

*ECB Opinion on a proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2016/1011 as regards the exemption of certain third country foreign exchange benchmarks and the designation of replacement benchmarks for certain benchmarks in cessation*

On 18 September 2020 the Governing Council adopted Opinion CON/2020/20 at the request of the Council of the European Union.

*ECB Opinion on ensuring a minimum level of cash services in Hungary*

On 22 September 2020 the Governing Council adopted Opinion CON/2020/21 at the request of the Magyar Nemzeti Bank.

*ECB opinion on proposals for regulations of the European Parliament and of the Council amending the Union securitisation framework in response to the COVID-19 pandemic*

On 23 September 2020 the Governing Council adopted Opinion CON/2020/22 at the request of the Council of the European Union.

## **Corporate governance**

*ECB Recommendation to the Council of the European Union on the external auditors of Suomen Pankki – Finlands Bank*

On 7 August 2020 the Governing Council adopted Recommendation ECB/2020/37 to the Council of the European Union on the external auditors of Suomen Pankki – Finlands Bank. The Recommendation is available in EUR-Lex.

## Statistics

*ESCB input to the EBA feasibility report under Article 430c of the Capital Requirements Regulation (CRR 2)*

On 17 September 2020 the Governing Council approved a report representing the ESCB's input to the European Banking Authority (EBA) report on the feasibility of developing a consistent and integrated system for collecting statistical, resolution and prudential data. The ESCB report proposes to reduce the reporting burden for banks in the fields of statistical, resolution and prudential reporting without losing the information content that is indispensable to monetary policy, resolution and supervisory tasks. The report and the related press release are available on the ECB's website.

## Banking supervision

*Compliance with EBA guidelines on COVID-19 reporting and disclosure*

On 4 August 2020 the Governing Council did not object to a proposal by the Supervisory Board to notify the EBA that, for the significant institutions under its direct supervision, the ECB complies with the Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07).

*ECB report on banks' ICAAP practices*

On 8 August 2020 the Governing Council did not object to a proposal by the Supervisory Board to publish the report on banks' internal capital adequacy assessment process (ICAAP) practices. The document summarises the results of a structured analysis of ICAAP practices observed in a sample of 37 banks, underlines areas where banks' practices appear to be further developed, as well as those where the ECB is of the opinion that additional work is warranted across banks. It is available on the ECB Banking Supervision website.

*Supervisory MoUs between the ECB and the National Bank of Moldova and the ECB and the Abu Dhabi Global Market's Financial Services Regulatory Authority*

On 12 August 2020 the Governing Council did not object to proposals by the Supervisory Board to complete supervisory Memoranda of Understanding (MoUs) with the National Bank of Moldova and the Abu Dhabi Global Market's Financial Services Regulatory Authority, the purpose of which is to formalise cooperation and information-sharing mechanisms between the ECB and the two supervisory authorities.

*Compliance with EBA guidelines on loan origination and monitoring*

On 17 August 2020 the Governing Council did not object to a proposal by the Supervisory Board to notify the EBA that, for significant institutions under its direct supervision, the ECB intends to comply with the Guidelines on loan origination and monitoring by the date of its application, i.e. from 30 June 2021 (EBA/GL/2020/06). The Guidelines aim to ensure that newly originated loans are of adequate credit

quality by introducing requirements for assessing the borrowers' creditworthiness and to align institutions' practices with consumer protection rules.

*Decision on the temporary exclusion of certain exposures to central banks from the total exposure measure in view of the COVID-19 pandemic*

On 27 August 2020 the Governing Council decided that it concurs with the Supervisory Board that there are 'exceptional circumstances' allowing the temporary exclusion of certain central bank exposures from the leverage ratio. In the view of the Governing Council, therefore, the condition of exceptional circumstances warranting the temporary exclusion of certain exposures to central banks from the calculation of banks' total exposure measures is met for the euro area as a whole. Euro area national competent authorities which intend to exercise the discretion provided for under Article 500b(2) of Regulation (EU) No 575/2013 in relation to less significant institutions may rely upon this opinion issued by the ECB as monetary authority of the euro area. This monetary policy opinion of the Governing Council was followed by a decision of the Governing Council in its supervisory competence - Decision ECB/2020/44 on the temporary exclusion of certain exposures to central banks from the total exposure measure in view of the COVID-19 pandemic - to allow significant banks that it directly supervises to exclude certain central bank exposures from the leverage ratio. Such assets include coins and banknotes as well as deposits held at the central bank. The Decision and the related press release are available on the ECB's website.

*Revised ECB Guide on Assessment Methodology and related feedback statement*

On 11 September 2020 the Governing Council did not object to a proposal by the Supervisory Board to publish the revised ECB Guide on Assessment Methodology (EGAM) updated as a result of a public consultation and the feedback statement providing an overview and assessment of the comments received during the public consultation on the EGAM. The documents are available on the ECB Banking Supervision website.

*Compliance with EBA Guidelines on the pragmatic SREP approach for 2020*

On 14 September 2020 the Governing Council did not object to a proposal by the Supervisory Board to notify the EBA that, for the significant institutions under its direct supervision, the ECB complies with the Guidelines on the pragmatic approach to the supervisory review and evaluation process (SREP) for 2020 (EBA/GL/2020/10). The Guidelines provide supervisors with flexibility and pragmatism in carrying out the SREP for 2020 in the context of the COVID-19 pandemic while at the same time preserving the convergence of EU supervisory practices.