BRIEFING

ECON in Focus

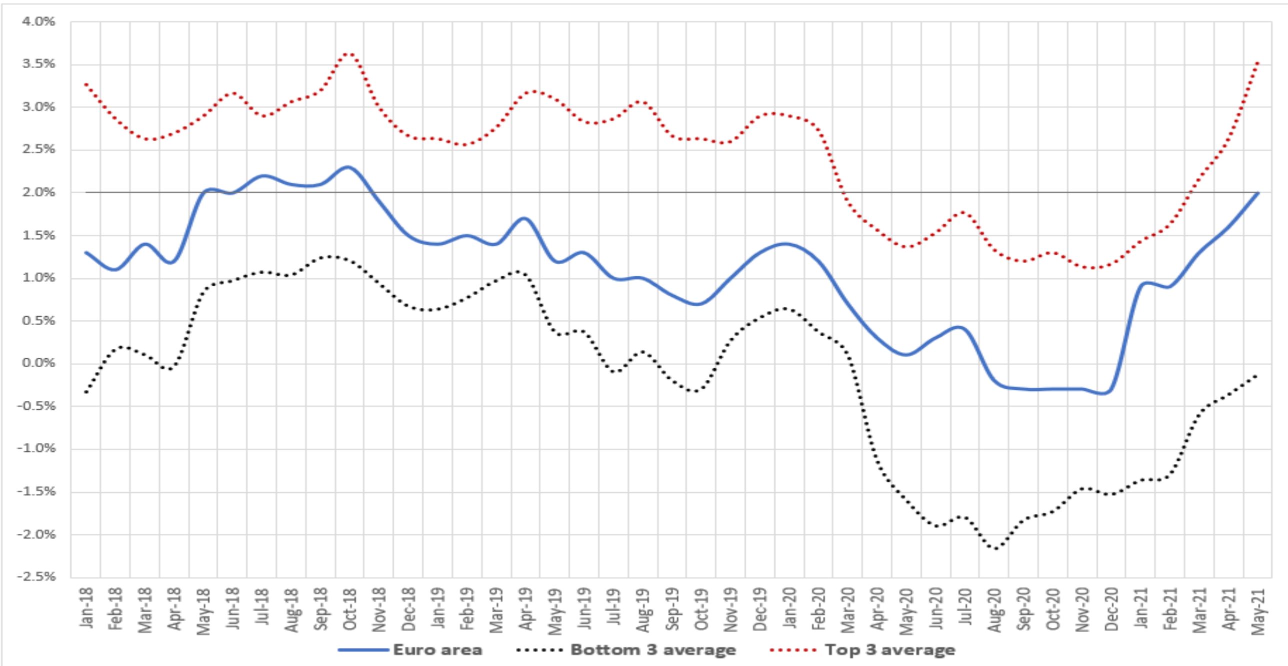
European Parliament

The ECB's Monetary Policy Response to the COVID-19 Crisis

(updated 18 June 2021)

Starting in March 2020, the euro area economy was hit by an unprecedented shock following the outbreak of the COVID-19 pandemic and subsequent public health measures necessary to contain the spread of the disease. In 2020, real gross domestic product (GDP) in the euro area fell by 6.6% while annual harmonised index of consumer prices (HICP) inflation was 0.3%. Prior to the pandemic, the European Central Bank (ECB) was already implementing an accommodative monetary policy using non-standard measures, with HICP inflation hovering around 1% – significantly lower than the ECB's target of "below, but close to, 2%". The deposit facility rate was negative since June 2014 (-0.5% since September 2019). Asset purchases were restarted in November 2019 (at EUR 20 billion per month). Targeted longer-term refinancing operations (TLTRO) III were announced in March 2019, with the first easing of conditions in September 2019.

Euro area countries' monthly HICP inflation, overall index (January 2018 - May 2021)



Notes: "Top 3 average" and "Bottom 3 average" represent the unweighted average of the three countries with the highest and lowest HICP inflation rates, respectively.

Source: Based on ECB, Statistical Data Warehouse.

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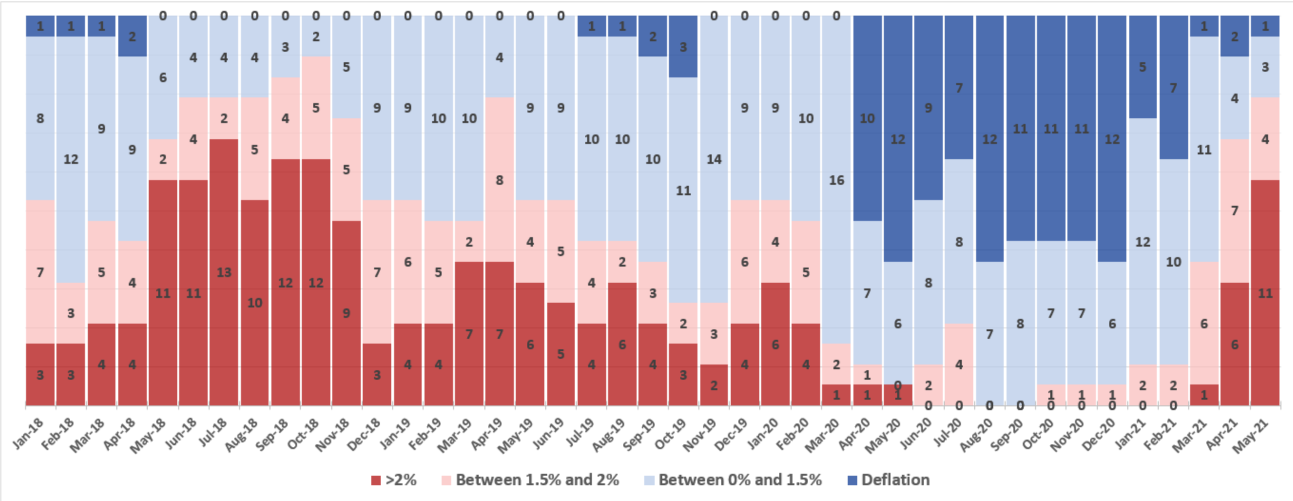
The ECB's Governing Council took the main monetary policy decisions to address the economic fallout of the first wave of the COVID-19 pandemic during its regular meetings on 12 March 2020, 30 April 2020, 4 June 2020, as well as an extraordinary meeting on 18 March 2020. In autumn and winter of 2020, a second wave of the pandemic hit and countries resorted back to strict containment measures. On 10 December 2020, the Governing Council recalibrated the ECB's monetary policy instruments.

The severity of the crisis has forced the ECB to shift attention away from its monetary policy strategy review, initially planned to be completed before the end of 2020. The conclusion of the review was postponed to the second half of 2021.

The beginning of 2021 brought a gradual lifting of confinement measures and reopening of economies, bringing about a rebound in HICP inflation, to 2% in May 2021. The June 2021 Eurosystem staff macroeconomic projections for the euro area forecast annual average HICP inflation of 1.9% for 2021 (peaking at 2.6% in the 4th quarter) owing to temporary factors, then declining back to levels below the target in 2022 (1.5%) and 2023 (1.4%).

Number of euro area countries, grouped by level of HICP inflation (January 2018-May 2021)



Source: Based on ECB, Statistical Data Warehouse.

The ECB made significant efforts to communicate and clarify the rationale of its monetary policy decisions[1] in response to the pandemic, including through a series of blog posts, as well as speeches and interviews of its Executive Board members.

The European Parliament's Committee on Economic and Monetary Affairs (ECON Committee) continued its scrutiny of the ECB's implementation of monetary policy in this period. Several meetings were held in the aftermath of the COVID-19 crisis between the ECON Committee and the ECB. On 30 March 2020, the Chair and political group coordinators of the ECON Committee held a meeting with President Lagarde. On 7 May 2020, Vice-President de Guindos appeared before the Committee to present the 2019 ECB annual report and to discuss the economic and financial impact of the COVID-19 crisis and the ECB's response. Regular quarterly Monetary Dialogues with President Lagarde took place on 8 June 2020, 28 September 2020, 19 November 2020, 18 March 2021 and 21 June 2021.

Interest rate policy

Throughout the pandemic period, the **key interest rates remained unchanged**:

- Main refinancing operations (MRO): 0.00% (since March 2016);
- Marginal lending facility: 0.25% (since March 2016); and
- Deposit facility: -0.50% (since September 2019).

Forward guidance on key interest rates also remained unchanged, as articulated in the September 2019 decision when the calendar-based element was dropped and forward-guidance became state-contingent.

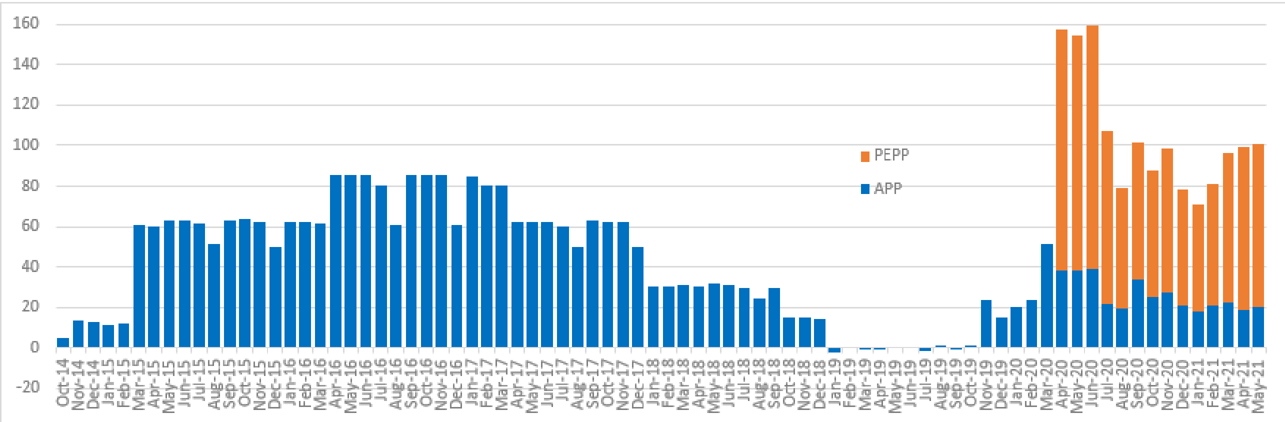
> *"The Governing Council expects the key ECB interest rates to remain at their present or lower levels until it has seen the inflation outlook robustly converge to a level sufficiently close to, but below, 2% within its projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics."*

For the June 2021 Monetary Dialogue, ECON Committee's Monetary Expert Panel prepared papers on "Low for Longer: Effects of Prolonged Negative Interest Rates".

Asset purchase programmes

The previously-decided EUR 20 billion monthly net purchases under the asset purchase programme (APP) started in November 2019 were topped up in March 2020 by an additional EUR 120 billion to be used by the end of 2020. In addition, the new pandemic emergency purchase programme (PEPP) was introduced and subsequently increased to EUR 1.85 trillion and extended until March 2022.

Eurosystem net asset purchases by month (EUR billion)



Source: Based on ECB, History of cumulative purchase breakdowns under the APP.

Ahead of the September 2020 Monetary Dialogue, papers were prepared by ECON Committee's Monetary Expert Panel on "The ECB's Asset Purchase Programmes: Experience and Future Perspectives".

1. Pandemic emergency purchase programme (PEPP)

Announced following the 18 March 2020 Governing Council meeting, the pandemic emergency purchase programme (PEPP), a **temporary programme for public and private sector asset purchases** with an initial envelope of EUR 750 billion, was set to run until the end of 2020. Its main stated aim is to counter risks to monetary policy transmission in the euro area caused by the pandemic.

On 4 June 2020, the Governing Council decided to increase the PEPP envelope by EUR 600 billion, to EUR 1.35 trillion. The horizon of PEPP net purchases was extended to at least the end of June 2021. Also, it was decided that maturing principal payments under the PEPP will be reinvested until at least the end of 2022.

On 10 December 2020, the PEPP envelope was further increased by EUR 500 billion, to **EUR 1.85 trillion**. The horizon of net purchases was further extended **to at least the end of March 2022**. The period of **reinvestment of maturing principal payments** under the PEPP was also extended, to at least end-2023.

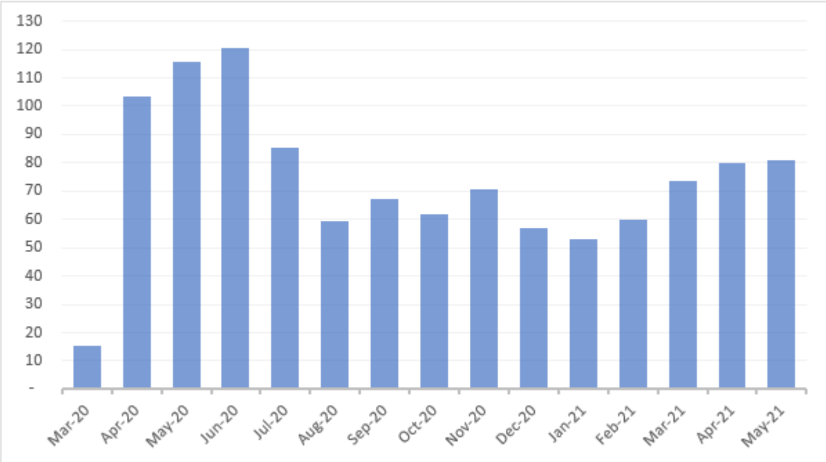
There is a substantial degree of **flexibility** embedded in the PEPP, allowing for "fluctuations in the distribution of purchase flows over time, across asset classes and among jurisdictions". This means that there is neither a pre-committed monthly amount of net purchases nor a target in terms of type of assets. The ECB's capital key will guide, on a stock basis, net purchases under the PEPP. PEPP holdings will not be consolidated with the existing

APP portfolios for the purpose of defining issue and issuer limits[2]. Also, a waiver of the eligibility criteria[3] for Greek government bonds was granted. The expansion of the corporate sector purchase programme to non-financial commercial papers decided on 18 March 2020 also applies to the PEPP.

The Governing Council delegated the responsibility to set the pace and composition of monthly PEPP purchases to the ECB's Executive Board. The Eurosystem reports the aggregate book value of PEPP securities on a weekly basis as well as net and cumulative purchases on a monthly basis.

Between March 2020 and May 2021, the Eurosystem conducted **EUR 1.1 trillion** net asset purchases under the PEPP.

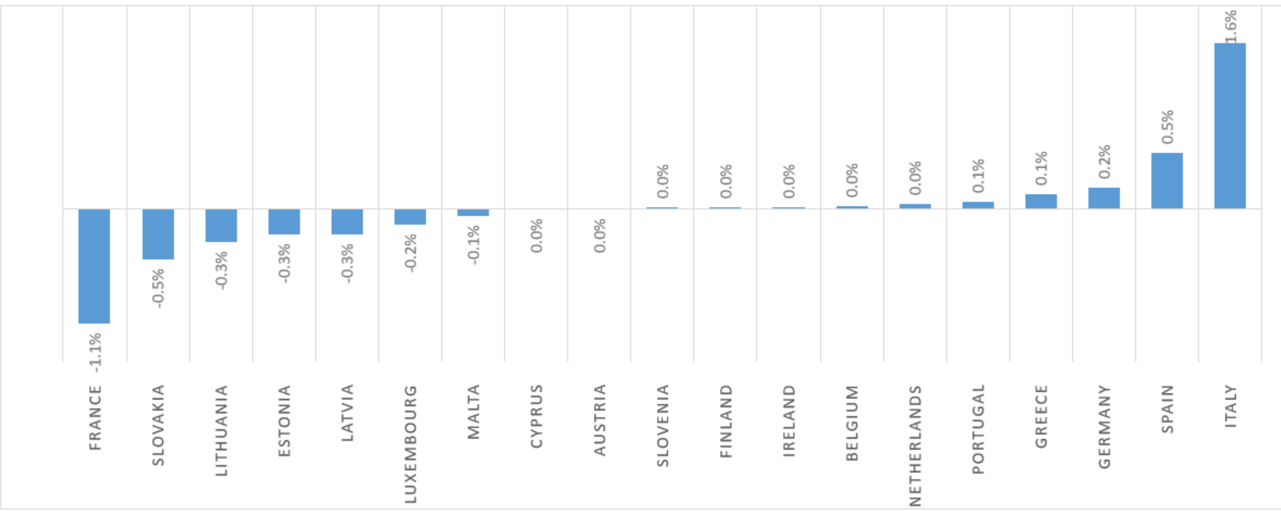
PEPP: net asset purchases by month, March 2020 - May 2021 (EUR billion)



Source: Based on [History of monthly net purchase under the PEPP](#).

The **public sector component** of the PEPP purchases in that period amounted to **EUR 1.06 trillion** (96.4% of total purchases). As of May 2021, the most significant deviations from the capital key are for Italy (+1.6%) and France (-1.1%). Since the start of PEPP purchases in March 2020, **deviations from the capital key** have been **gradually reduced** across the board.

PEPP: public sector securities cumulative net purchases, deviations from the capital key, May 2021 (percentage points)



Source: Based on ECB, Breakdown of public sector securities under the PEPP and ECB, capital subscription.

The **private sector component** of PEPP holdings amounted to about **EUR 40 billion** (covered bonds: 78.2%, commercial paper: 11.6%, covered bonds: 10.2%).

2. Asset purchase programme (APP): additional envelope and forward guidance

From November 2019, net asset purchases under the APP were restarted at a monthly pace of EUR 20 billion. On 12 March 2020, the Governing Council decided to **increase the existing APP net purchases with an additional envelope of EUR 120 billion to be used by the end of 2020**.

The Governing Council maintained the September 2019 formulation of **forward guidance on the APP**:

> *"The Governing Council continues to expect monthly net asset purchases under the APP 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."*

The Eurosystem continued reinvesting principal payments from maturing APP securities:

> *"The Governing Council also intends to continue reinvesting, in full, the principal payments from maturing securities purchased under the APP for an extended period of time past the date when it 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."*

3. Corporate sector purchase programme (CSPP) eligibility criteria

On 18 March 2020, the Governing Council decided to **expand the range of eligible assets under the CSPP** to non-financial commercial papers. This also applied to purchases under the PEPP.

Commercial papers are, by definition, unsecured short-term (maturity up to 1 year) debt instruments used to meet short-term liabilities. In the euro area, the commercial paper market is dominated by financial institutions, although there has been an increase in recent years in issuance by non-financial corporations. The ECB detected deteriorating financing conditions for corporates emanating from the commercial paper market in the wake of the COVID-19 crisis, when the Governing Council decided to make this targeted change to the list of CSPP-eligible assets.

Long-term refinancing operations

1. Longer-term refinancing operations (LTROs)

On 12 March 2020, the Governing Council has decided to conduct **additional LTROs on a temporary basis under a fixed-rate full allotment procedure**, providing banks with liquidity and acting as a backstop to any deterioration of money market conditions. The interest rate will equal the average **deposit facility rate**.

13 such additional LTRO operations were conducted between 18 March and 10 June 2020, all maturing on 24 June 2020, providing EUR 388.9 billion of liquidity to the euro area financial system.

LTRO: additional operations conducted (12 March decision)

Settlement date (indicative)	Maturity date	Allotted amount, EUR billion	Number of bidders
18 March 2020	24 June 2020	109.13	110
25 March 2020	24 June 2020	79.67	180
1 April 2020	24 June 2020	43.71	107
8 April 2020	24 June 2020	19.51	99
15 April 2020	24 June 2020	4.64	53
22 April 2020	24 June 2020	18.91	82
29 April 2020	24 June 2020	36.66	74
6 May 2020	24 June 2020	14.28	62

13 May 2020	24 June 2020	6.82	52
20 May 2020	24 June 2020	8.73	47
27 May 2020	24 June 2020	18.54	40
3 June 2020	24 June 2020	14.48	30
10 June 2020	24 June 2020	13.77	24

Source: Based on ECB announces measures to support bank liquidity conditions and money market activity and ECB, open market operations.

2. Targeted longer-term refinancing operations (TLTROs)

TLTROs have been used by the ECB as a non-standard measure since 2014 when the first TLTRO series of 8 operations was launched. The main aim is to provide long-term loans to banks with conditions which incentivise them to lend more to the real economy, thus enhancing monetary policy transmission. Under TLTRO I, banks reaching their lending benchmarks were allowed to borrow more in subsequent operations, while those which did not were requested to repay their TLTRO I loans early. In 2016, the second TLTRO series was launched consisting of 4 operations. TLTRO II incentives were designed as rewards rather than penalties. Lower interest rates were applied for banks whose net lending exceeded the benchmark.

TLTRO III was first announced following the Governing Council meeting in March 2019. Further operational details were unveiled in June 2019. The main incentive mechanism incorporated in TLTRO III is the possible interest rate reduction if eligible net lending (gross lending net of repayments) is higher than benchmark net lending.

As part of a package of monetary policy measures adopted in September 2019, TLTRO III conditions were eased and interest rates reduced.

In response to the COVID-19 shock, on 12 March 2020, **TLTRO III conditions were further eased, along with a temporary reduction of applicable interest rates** (as low as -0.75%) for all operations outstanding during the period between June 2020 and June 2021.

On 30 April 2020, the Governing Council decided to further ease TLTRO III conditions for operations by **bringing forward the start of the lending benchmark assessment period** by one month (to 1 March 2020) and by **reducing applicable interest rates** (as low as -1%) for the period between June 2020 and June 2021.

On 10 December 2020, as part of the recalibration of monetary policy instruments to address the COVID-19 pandemic, the Governing Council decided to **prolong support** via TLTRO III. The period during which banks that reach lending benchmark thresholds may obtain the maximum rate reduction was extended for one year, to June 2022. Three new TLTRO III operations were added: in June, September and December 2021.

TLTRO III: evolution of key parameters

	Initial conditions	September 2019 changes	March 2020 changes	April 2020 changes	December 2020 changes
Interest rate	MRO rate + 10bps	MRO rate	MRO – 25bps *(special interest rate period)*	MRO – 50bps *(special interest rate period)*	MRO – 50bps *(additional special interest rate period)*
Maximum rate reduction	Deposit facility rate + 10bps	Deposit facility rate	Deposit facility rate – 25bps *(not lower than -0.75%) (special interest rate period)*	Deposit facility rate – 50bps *(not lower than -1%) (special interest rate period)*	*No change*

Reference period for rate reduction	1 April 2019 – 31 March 2021	*No change*	1 April 2020 – 31 March 2021 *(special reference period)*	1 March 2020 – 31 March 2021 *(special reference period)*	1 October 2020 – 31 December 2021 *(additional special reference period)*
Maximum rate reduction eligibility	Eligible net lending at least 2.5% above benchmark net lending	*No change*	Eligible net lending at least equal to benchmark net lending	Eligible net lending at least equal to benchmark net lending	*No change*
			No change	Eligible net lending at least 1.15% above benchmark net lending	*No change*
Borrowing limit	Total: 30% of eligible loan stock, minus outstanding TLTRO II amounts Operation: 10% of eligible loan stock	*No change*	Total: 50% of stock of eligible loans, minus outstanding TLTRO II amount Operation: limit removed	*No change*	Total: 55% of stock of eligible loans, minus outstanding TLTRO II or III amount (starting from the March 2021 operation)
Maturity	2 years	3 years	*No change*	*No change*	*No change*
Early repayment	Not possible	Possible on a quarterly basis, starting 2 years after settlement of each operation	Starting 1 year after settlement of each operation (from September 2021)	*No change*	For participants in the new operations (June, September and December 2021): Possible on quarterly basis (from June 2022).

Note: Highlighted in yellow are changes that apply for the "special interest rate" and "additional special interest rate" periods.

Source: Based on relevant ECB press releases and decisions.

Calculation of the applicable interest rates became complicated with introduction of the "special interest rate" and "additional special interest rate" periods and the related reference periods used to determine reduced rate eligibility. An attempt is made in the table below to present the possible scenarios concerning the applicable interest rates over the life of the ten TLTRO III operations.

TLTRO III: applicable interest rates

Eligible net lending (ENL) vs **benchmark net lending** (BNL)	**Before** *settlement date - 23 June 2020*	**Special interest rate period** *24 June 2020 – 23 June 2021*	**Additional special interest rate period** *24 June 2021 – 23 June 2022*	**After** *24 June 2022 - maturity or early repayment*
First seven TLTRO III operations (September 2019 – March 2021)				
$ENL_{special} \geq BNL$ and $ENL_{additional} \geq BNL$	**Deposit facility rate**	**Deposit facility rate minus 50 bps** (not lower than -1%)	**Deposit facility rate minus 50 bps** (not lower than -1%)	**Deposit facility rate**
$ENL_{special} \geq BNL$ but $ENL_{additional} < BNL$	**Deposit facility rate**	**Deposit facility rate minus 50 bps** (not lower than -1%)	**Lower rate between:** i. MRO minus 50 bps ii. Deposit facility rate	**Deposit facility rate**
$ENL_{special} < BNL$ but $ENL_{additional} \geq BNL$ and $ENL_{second} > BNL$ by at least 1.15%	**Deposit facility rate**	**Lower rate between:** i. MRO minus 50 bps ii. Deposit facility rate	**Deposit facility rate minus 50 bps** (not lower than -1%)	**Deposit facility rate**
$ENL_{special} < BNL$ but $ENL_{additional} \geq BNL$ and $ENL_{second} > BNL$ by less than 1.15%	**Calculated rate*** between MRO and deposit facility	**Lower rate between:** i. MRO minus 50 bps ii. Calculated rate* between MRO and deposit facility	**Deposit facility rate minus 50 bps** (not lower than -1%)	**Deposit facility rate**
$ENL_{special} < BNL$ and $ENL_{additional} < BNL$ but $ENL_{second} > BNL$ by at least 1.15%	**Deposit facility rate**	**Lower rate between:** i. MRO minus 50 bps ii. Deposit facility rate	**Lower rate between:** i. MRO minus 50 bps ii. Deposit facility rate	**Deposit facility rate**
$ENL_{special} < BNL$ and $ENL_{additional} < BNL$ but $ENL_{second} > BNL$ by less than 1.15%	**Calculated rate*** between MRO and deposit facility	**Lower rate between:** i. MRO minus 50 bps ii. Calculated rate* between MRO and deposit facility	**Lower rate between:** i. MRO minus 50 bps ii. Calculated rate* between MRO and deposit facility	**Calculated rate*** between MRO and deposit facility
$ENL_{special} < BNL$ and $ENL_{second} < BNL$ but $ENL_{additional} > BNL$	**MRO**	**MRO minus 50 bps**	**Deposit facility rate minus 50 bps** (not lower than -1%)	**Deposit facility rate**
$ENL_{special} < BNL$ and $ENL_{additional} < BNL$ and $ENL_{second} < BNL$	**MRO**	**MRO minus 50 bps**	**MRO minus 50 bps**	**MRO**
Last three TLTRO III operations (June 2021 – December 2021)				
$ENL_{additional} \geq BNL$	N/A	N/A	**Deposit facility rate minus 50 bps** (not lower than -1%)	**Deposit facility rate**
$ENL_{additional} < BNL$	N/A	N/A	**MRO minus 50 bps**	**MRO**

Notes: "**Benchmark net lending (BNL)**" means the amount of eligible net lending that a participant needs to exceed in the respective reference period in order to qualify for a lower interest rate than the initial. "**Eligible net lending (ENL)**" means gross lending in the form of eligible loans net of repayments of outstanding amounts of eligible loans during a specific period. **$ENL_{special}$** = eligible net lending during "special reference period" (1

March 2020 to 31 March 2021); **ENL$_{additional}$** = eligible net lending during "additional special reference period" (1 October 2020 to 31 December 2021); **ENL$_{second}$** = eligible net lending during "second reference period" (1 April 2019 to 31 March 2021; * **Rate calculation**: $MRO - (MRO - deposit\ facility\ rate) \times rate\ adjustment; rate\ adjustment = \frac{\%\ exceeding\ benchmark}{1.15}; 0 < \%\ exceeding\ benchmark < 1.15$.

Source: Relevant ECB decisions on a third series of targeted longer-term refinancing operations.

The table below shows the indicative schedule of ten TLTRO III operations. The 24 June 2020 TLTRO III operation was the largest liquidity operation in the history of the ECB with an allotted amount of EUR 1.3 trillion.

TLTRO III: indicative schedule of operations

Settlement date (indicative)	Maturity date	Allotted amount, EUR billion	Number of bidders
25 September 2019	28 September 2022	3.4	28
18 December 2019	21 December 2022	97.72	122
25 March 2020	29 March 2023	114.98	114
24 June 2020	28 June 2023	1,308.43	742
30 September 2020	27 September 2023	174.46	388
16 December 2020	20 December 2023	50.41	156
24 March 2021	27 March 2024	330.5	425
(24 June 2021)	(26 June 2024)		
(29 September 2021)	(25 September 2024)		
(22 December 2021)	(18 December 2024)		

Source: Based on Indicative calendar for the third series of targeted longer-term refinancing operations (TLTROs-III), as published on 1 February 2021 and ECB, open market operations (website).

3. Pandemic emergency longer-term refinancing operations (PELTROs)

On 30 April 2020, the Governing Council decided to conduct **seven additional non-targeted fixed-rate full allotment refinancing operations** between May and December 2020, maturing in a staggered sequence between July and September 2021 (in line with the duration of the collateral easing measures). The applicable interest rate is **25 bps below the MRO rate**.

On 10 December 2020, the Governing Council decided to offer four additional PELTRO operations in 2021, each with a maturity of one year.

PELTRO: indicative schedule of operations

Settlement date (indicative)	Maturity date	Allotted amount, EUR billion	Number of bidders
21 May 2020	30 September 2021	0.85	19
24 June 2020	30 September 2021	15.61	45
6 August 2020	30 September 2021	5.68	13
3 September 2020	26 August 2021	0.79	13
8 October 2020	26 August 2021	1.01	13
5 November 2020	29 July 2021	0.75	12
3 December 2020	29 July 2021	1.88	14
25 March 2021	31 March 2022	0.42	6
(24 June 2021)	30 June 2022		
(30 September 2021)	29 September 2022		
(16 December 2021)	26 January 2023		

Source: "ECB extends pandemic emergency longer-term refinancing operations" and ECB, open market operations (website).

Collateral framework

The Eurosystem collateral framework plays a crucial role in the implementation of monetary policy in the euro area. Article 18 of the statute of the European System of Central Banks (ESCB) and the ECB states that credit shall be provided only against adequate collateral. The way in which the Eurosystem deals with collateral is based on a so-called "general" and "temporary" framework. The collateral framework has seen significant changes since 2008. An extensive account of the technical details and the evolution of the collateral framework is given in a 2017 ECB paper.

One element of the collateral framework are "additional credit claims" (ACC). As part of measures to increase collateral availability, the Governing Council announced in December 2011 that national central banks (NCBs) are allowed, on a temporary basis, to accept additional credit claims as collateral by having specific national credit claim eligibility criteria and risk control measures which differ from the general framework. So far, 17 NCBs have implemented ACC frameworks. The national eligibility criteria for such additional credit claims were first approved in February 2012. In June 2019, the ACC frameworks were extended in their current format until the maturity date of the TLTRO III operation in March 2024.

On 18 March 2020, in response to the COVID-19 crisis, the Governing Council announced the decision to include claims related to the financing of the corporate sector in the ACC framework.

On 7 April 2020, the Governing Council announced further details on the **package of temporary collateral easing measures**, which are substantial and going beyond only the ACC framework. The main temporary changes may be summarised as follows:

- Temporary reduction of collateral valuation haircuts by 20% across the board, thus increasing the Eurosystem's level of risk tolerance.
- Temporary extension of the ACC framework:
  - Inclusion of government and public sector guaranteed loans to corporates, SMEs, self-employed individuals and households in the requirements on guarantees;
  - Extension of scope of acceptable credit assessment systems (e.g. acceptance of banks' own credit assessments from internal rating-based systems approved by supervisors);
  - Reduction of the loan level reporting requirements.
- Other temporary measures:
  - Lowering the level of the minimum size threshold for domestic credit claims to EUR 0 (from EUR 25 000);
  - Increase in the maximum share of unsecured debt instruments that can be used as collateral to 10% (from 2.5%);
  - Waiver of minimum credit quality requirements for Greek government bonds in order to accept them as collateral.

The temporary nature of these measures is tied to the duration of the PEPP, with a possibility of further extensions if needed.

Apart from these temporary measures, the Governing Council also decided to **permanently reduce collateral haircuts on non-marketable assets**[4] **by 20%**. For such assets, this applies on top of the temporary haircut reduction.

On 22 April 2020, the Governing Council adopted a **further measure aimed at insulating collateral availability against possible rating downgrades**. Assets meeting minimum credit quality requirements for collateral eligibility on 7 April 2020 (equivalent to BBB-, except asset-backed securities (ABSs)) will continue to be eligible in case of rating downgrades, as long as their rating remains at or above BB. ABSs eligible under the general framework (rating equivalent to A-) will be grandfathered as long as their rating remains at or above a rating equivalent to BB+.

On 10 December 2020, the Governing Council decided to extend the duration of the set of collateral easing measures adopted in April 2020, in order to ensure that banks can make full use of the Eurosystem's liquidity operations.

Currency repo and swap lines

Swap lines are arrangements between central banks to exchange currency in order to maintain foreign currency liquidity when markets are distorted. The necessity of such arrangements became particularly pronounced in the aftermath of the global financial crisis, when the ECB entered into swap arrangements with central banks from a number of jurisdictions. In October 2013, the Bank of Canada, the Bank of England, the Bank of Japan, the ECB, the Federal Reserve, and the Swiss National Bank agreed to replace existing temporary bilateral liquidity swap lines with standing arrangements.

On 15 March 2020, the above-mentioned **6 central banks jointly decided to enhance the provision of global USD liquidity** through their existing standing arrangements by: a) lowering the pricing of USD swap operations (to USD overnight index swap rate + 25bps), and b) adding weekly USD operations with 84-day maturity (in addition to existing weekly 1-week maturity operations). On 20 March 2020, **these arrangements were further enhanced** by changing the frequency of the existing 1-week maturity operations from weekly to daily, while continuing with the new 84-day maturity operations. As of 1 July 2020, the frequency of 1-week maturity operations was reduced from daily to three times per week. As of 1 September 2020, the frequency was further reduced from three times per week to once per week. The 84-day maturity operations were discontinued as of 1 July 2021, while continuing with the weekly 7-day operations.

The ECB, in turn, provided euro liquidity support to a number of central banks in its geographical vicinity through temporary bilateral repo and swap lines. Repo lines are used to provide euro liquidity to non-euro area central banks in exchange for euro-denominated collateral. Swap lines are used by the ECB to exchange euros against other currencies.

Repo and swap lines established to provide euro liquidity support

Repo/swap	Start date	Country	Size of repo/swap line (billion)
Repo	5 June 2020	Romania	4.5
	17 July 2020	Serbia	1
	17 July 2020	Albania	0.4
	23 July 2020	Hungary	4
	18 August 2020	North Macedonia	0.4
	18 August 2020	San Marino	0.1
Swap	20 March 2020	Denmark	24
	15 April 2020	Croatia	2
	22 April 2020	Bulgaria	2

On 25 June 2020, the ECB set up the **Eurosystem repo facility for central banks (EUREP)** to complement existing swap and repo lines by providing euro liquidity to non-euro area central banks against collateral, consisting of euro-denominated marketable debt securities issued by euro area governments and supranational institutions. It was intended to be available until June 2021. Compared to a bilateral repo line, while it is accessible to a wide range of non-euro area central banks, it is more expensive and the range of collateral is narrower.

On 10 December 2020, the ECB Governing Council decided to extend the EUREP and all temporary swap and repo lines until March 2022.

1 Accounts of Governing Council meetings in that period: 12 March, 18 March, 29-30 April, 3-4 June, 15-16 July, 9-10 September, 28-29 October and 9-10 December 2020, 20-21 January, 10-11 March and 21-22 April 2021.

2 See Article 4, Decision (EU) 2020/440 of the European Central Bank 24 March 2020 on a temporary pandemic emergency purchase programme (ECB/2020/17).

3 See Article 3(2), Decision (EU) 2020/188 of the European Central Bank of 3 February 2020 on a secondary markets public sector asset purchase programme (ECB/2020/9).

4 Non-marketable assets include: (i) fixed-term deposits from eligible counterparties, (ii) credit claims, and (iii) non-marketable retail mortgage-backed debt instruments.

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