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DECISION OF THE EUROPEAN CENTRAL BANK

of 14 December 2011

on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral

(ECB/2011/25)

(2011/870/EU)

(OJ L 341, 22.12.2011, p. 65)

Amended by:

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		No	page	date
► <u>M1</u>	Decision ECB/2012/4 of the European Central Bank of 21 March 2012	L 91	27	29.3.2012
► <u>M2</u>	Decision ECB/2012/11 of the European Central Bank of 28 June 2012	L 175	17	5.7.2012
► <u>M3</u>	Decision ECB/2012/12 of the European Central Bank of 3 July 2012	L 186	38	14.7.2012



DECISION OF THE EUROPEAN CENTRAL BANK

of 14 December 2011

**on additional temporary measures relating to Eurosystem
refinancing operations and eligibility of collateral**

(ECB/2011/25)

(2011/870/EU)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union,
and in particular the first indent of Article 127(2) thereof,

Having regard to the Statute of the European System of Central Banks
and of the European Central Bank, and in particular the first indent of
Article 3.1 and Article 18.2 thereof,

Whereas:

- (1) Pursuant to Article 18.1 of the Statute of the European System of Central Banks and of the European Central Bank, the European Central Bank (ECB) and the national central banks of Member States whose currency is the euro (hereinafter the 'NCBs') may conduct credit operations with credit institutions and other market participants, with lending being based on adequate collateral. The general conditions under which the ECB and the NCBs stand ready to enter into credit operations, including the criteria determining the eligibility of collateral for the purposes of Eurosystem credit operations, are laid down in Annex I to Guideline ECB/2000/7 of 31 August 2000 on monetary policy instruments and procedures of the Eurosystem ⁽¹⁾ (hereinafter the 'General Documentation').
- (2) On 8 December 2011 the Governing Council decided on additional enhanced credit support measures to support bank lending and liquidity in the euro area money market. In accordance with that decision and in order to enhance the provision of liquidity to counterparties to Eurosystem monetary policy operations, an option to terminate or modify certain longer-term refinancing operations before maturity should be provided for, and the criteria for determining the eligibility of assets to be used as collateral in Eurosystem monetary policy operations should be widened.
- (3) Such measures need to apply temporarily, until the Governing Council considers that the stability of the financial system allows the application of the general Eurosystem framework for monetary policy operations,

HAS ADOPTED THIS DECISION:

⁽¹⁾ OJ L 310, 11.12.2000, p. 1. From 1 January 2012, Guideline ECB/2000/7 is replaced by Guideline ECB/2011/14 of 20 September 2011 on monetary policy instruments and procedures of the Eurosystem (OJ L 331, 14.12.2011, p. 1).

▼B*Article 1***Additional measures relating to refinancing operations and eligible collateral**

1. The rules for the conduct of Eurosystem monetary policy operations and the eligibility criteria for collateral laid down in this Decision shall apply in conjunction with the General Documentation.

2. In the event of any discrepancy between this Decision and the General Documentation, as implemented at national level by the NCBs, the former shall prevail. The NCBs shall continue to apply all provisions of the General Documentation unaltered unless otherwise provided for in this Decision.

*Article 2***Option to terminate or modify longer-term refinancing operations**

The Eurosystem may decide that, under certain conditions, counterparties may reduce the amount of, or terminate, certain longer-term refinancing operations before maturity.

▼M2*Article 3***Admission of certain additional asset-backed securities**

1. In addition to asset-backed securities (ABS) eligible under Chapter 6 of Annex I to Guideline ECB/2011/14, ABS which do not fulfil the credit assessment requirements under Section 6.3.2 of Annex I to Guideline ECB/2011/14 but which otherwise comply with all eligibility criteria applicable to ABS pursuant to Guideline ECB/2011/14, shall be eligible as collateral for Eurosystem monetary policy operations, provided that they have two ratings of at least triple B ⁽¹⁾, at issuance and at any time subsequently. They shall also satisfy all the following requirements:

- (a) the cash-flow generating assets backing the ABS shall belong to one of the following asset classes: (i) residential mortgages; (ii) loans to small and medium-sized enterprises (SMEs); (iii) commercial mortgages; (iv) auto loans; (v) leasing and consumer finance;
- (b) there shall be no mix of different asset classes in the cash-flow generating assets;
- (c) the cash-flow generating assets backing the ABS shall not contain loans which are any of the following:
 - (i) non-performing at the time of issuance of the ABS;

⁽¹⁾ A 'triple B' rating is a rating of at least 'Baa3' from Moody's, 'BBB-' from Fitch or Standard & Poor's or a rating of 'BBB' from DBRS.

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- (ii) non-performing when incorporated in the ABS during the life of the ABS, for example by means of a substitution or replacement of the cash-flow generating assets;
- (iii) at any time, structured, syndicated or leveraged;
- (d) the ABS transaction documents shall contain servicing continuity provisions.

2. ABS referred to in paragraph 1 that have two ratings of at least single A ⁽¹⁾ shall be subject to a valuation haircut of 16 %.

3. ABS referred to in paragraph 1 that do not have two ratings of at least single A shall be subject to the following valuation haircuts: (a) ABS backed by commercial mortgages shall be subject to a valuation haircut of 32 %; (b) all other ABS shall be subject to a valuation haircut of 26 %.

4. A counterparty may not submit ABS eligible pursuant to paragraph 1 as collateral, if the counterparty, or any third party with which it has close links, acts as an interest rate hedge provider in relation to the ABS.

5. For the purposes of this Article ‘small enterprise’ and ‘medium-sized enterprise’ shall have the meaning given to them in Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises ⁽²⁾.

6. An NCB may accept as collateral for Eurosystem monetary policy operations ABS whose underlying assets include residential mortgages or loans to SMEs or both and which do not fulfil the credit assessment requirements under Section 6.3.2 of Annex I to Guideline ECB/2011/14 and the requirements referred to in paragraph 1(a) to (d) and paragraph 4 above but which otherwise comply with all eligibility criteria applicable to ABS pursuant to Guideline ECB/2011/14 and have two ratings of at least triple B. Such ABS shall be limited to those issued before 20 June 2012 and shall be subject to a valuation haircut of 32 %.

▼ B*Article 4***Admission of certain additional credit claims**

1. An NCB may accept as collateral for Eurosystem monetary policy operations credit claims that do not satisfy the Eurosystem eligibility criteria.

⁽¹⁾ A ‘single A’ rating is a rating of at least ‘A3’ from Moody’s, ‘A-’ from Fitch or Standard & Poor’s or a rating of ‘AL’ from DBRS.

⁽²⁾ OJ L 124, 20.5.2003, p. 36.

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2. The NCBs shall establish eligibility criteria and risk control measures for accepting credit claims pursuant to paragraph 1. Such eligibility criteria and risk control measures shall be subject to prior approval by the Governing Council.

▼ M1*Article 4a***Acceptance of certain government-guaranteed bank bonds**

1. NCBs shall not be obliged to accept as collateral for Eurosystem credit operations eligible bank bonds guaranteed by a Member State under a European Union/International Monetary Fund programme, or by a Member State whose credit assessment does not comply with the Eurosystem's benchmark for establishing its minimum requirement for high credit standards for issuers and guarantors of marketable assets in accordance with Sections 6.3.1 and 6.3.2 of the General Documentation.

2. NCBs shall inform the Governing Council whenever they decide not to accept the securities described in paragraph 1 as collateral.

▼ M3*Article 4b***Acceptance of government-guaranteed bank bonds**

1. Counterparties that issue eligible bank bonds guaranteed by an EEA public sector entity with the right to impose taxes may not submit such bonds or similar bonds issued by closely linked entities as collateral for Eurosystem credit operations in excess of the nominal value of these bonds already submitted as collateral on the day this Decision enters into force.

2. In exceptional cases, the Governing Council may decide on derogations from the requirement laid down in paragraph 1. A request for a derogation shall be accompanied by a funding plan.

▼ B*Article 5***Final provisions**

This Decision shall enter into force on 19 December 2011.