

GUIDELINE (EU) [2020/XX] OF THE EUROPEAN CENTRAL BANK

of 7 April 2020

**amending Guideline ECB/2014/31 on additional temporary measures relating to Eurosystem
refinancing operations and eligibility of collateral
(ECB/2020/21)**

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 to the first subparagraph of Article 12.1 in conjunction with the first indent of Article 3.1 and Article 18 thereof,

Whereas:

- (1) In accordance with Article 18.1 of the Statute of the European System of Central Banks and of the European Central Bank (hereinafter the 'Statute of the ESCB'), the European Central Bank (ECB) and the national central banks of the Member States whose currency is the euro (hereinafter the 'NCBs') may, in order to achieve the objectives of the European System of Central Banks, 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 Guideline (EU) 2015/510 of the European Central Bank (ECB/2014/60)¹.
- (2) Coronavirus disease 2019 (COVID-19) has been characterised by the World Health Organization as a pandemic and is the cause of a collective public health emergency which is unprecedented in recent history. It has produced an extreme economic shock that requires an ambitious, coordinated and urgent reaction on all policy fronts to support businesses and workers at risk. As a consequence of the pandemic, economic activity across the euro area is declining and will inevitably suffer a considerable contraction, especially as more countries are faced with the need to intensify containment measures. These measures place acute strains on the cash-flows of businesses and workers and put the survival of businesses and jobs at risk. It is also clear that this situation hampers the transmission of the monetary policy impulses and adds severe downside

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

risks to the relevant inflation outlook.

- (3) On 7 April 2020, the Governing Council adopted a set of decisions in response to the coronavirus pandemic, which could jeopardise the objective of price stability and the proper functioning of the monetary policy transmission mechanism. These include collateral easing measures to facilitate Eurosystem counterparties in maintaining and mobilising sufficient collateral in order to be able to participate in Eurosystem liquidity-providing operations. Accordingly, participation in these operations will be based on amended collateral eligibility criteria and risk control measures. These measures are proportionate to counter the serious risks to price stability, the monetary policy transmission mechanism and the economic outlook in the euro area posed by the outbreak and escalating diffusion of COVID-19.
- (4) With a view to mitigating the adverse impact on collateral availability of potential severe rating downgrades resulting from the COVID-19 outbreak, the Governing Council considers that the Eurosystem may temporarily increase its risks tolerance in order to support counterparties' access to liquidity and, thereby, to also support the provision of credit to the euro area economy, including by reducing the valuation haircuts applied to certain collateral assets.
- (5) The Governing Council also assessed: (a) the need to alleviate pressures stemming from the COVID-19 outbreak which have severely affected the Greek financial markets; (b) the commitments undertaken by the Hellenic Republic in the context of the enhanced surveillance under Regulation (EU) No 472/2013 of the European Parliament and of the Council² and the monitoring of the implementation thereof by Union institutions; (c) the fact that medium-term debt relief measures for the Hellenic Republic delivered via the European Stability Mechanism depend on the continued implementation of these commitments; (d) the information available to the ECB regarding the economic and financial situation of the Hellenic Republic as a result of the involvement of the ECB in the enhanced surveillance framework; and (e) the fact that the Hellenic Republic had regained market access. The Governing Council also assessed the need to reduce fragmentation of collateral accepted for Eurosystem credit operations with a view to enhancing the smooth functioning of the monetary policy transmission mechanism. Based on these assessments, the Governing Council considers that NCBs should be allowed to accept as eligible collateral for the purposes of Eurosystem credit operations marketable debt securities issued by the central government of the Hellenic Republic that do not satisfy the Eurosystem's credit quality requirements but fulfil all other eligibility criteria applicable to marketable assets, subject to a specific haircut schedule.
- (6) The additional measures set out in the amendments introduced under this Guideline should apply temporarily and the Governing Council should re-assess the need for extending any of these temporary measures before the end of the year to ensure an appropriate monetary policy transmission mechanism. In doing so, the Governing Council will also take into account the need of Eurosystem counterparties that are, or will be, participating in targeted longer-term refinancing

² Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability (OJ L 140, 27.5.2013, p. 1).

operations conducted under Decision (EU) 2019/1311 of the European Central Bank (ECB/2019/21)³ to maintain collateral availability for the entire duration of these operations.

- (7) To react promptly to the current pandemic situation, this Guideline should be notified to the NCBs as soon as possible after adoption.
- (8) Therefore Guideline ECB/2014/31 of the European Central Bank⁴ should be amended accordingly,

HAS ADOPTED THIS GUIDELINE:

Article 1

Amendments to Guideline ECB/2014/31

Guideline ECB/2014/31 is amended as follows:

1. the following Article 8a is inserted:

'Article 8a

Acceptance of marketable debt securities issued by the central government of the Hellenic Republic

1. NCBs may accept as collateral for Eurosystem credit operations marketable debt instruments issued by the central government of the Hellenic Republic that do not satisfy the Eurosystem's credit quality requirements for marketable assets laid down in Articles 59 and 71 and Chapter 2 of Title II of Part Four of Guideline (EU) 2015/510 (ECB/2014/60), provided that these instruments comply with all other eligibility criteria applicable to marketable assets and laid down in Guideline (EU) 2015/510 (ECB/2014/60).
 2. The securities referred to in paragraph 1 that are accepted by NCBs as collateral shall be subject to the valuation haircuts laid down in Annex IIb to this Guideline.;
2. Annex IIa is replaced by the following:

'ANNEX IIa

Valuation haircut levels (in %) applied to asset-backed securities (ABS) eligible under Article 3(2) of this Guideline

³ Decision (EU) 2019/1311 of the European Central Bank of 22 July 2019 on a third series of targeted longer-term refinancing operations (ECB/2019/21) (OJ L 204, 2.8.2019, p. 100).

⁴ Guideline ECB/2014/31 of the European Central Bank of 9 July 2014 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral and amending Guideline ECB/2007/9 (OJ L 240, 13.8.2014, p. 28).

<i>Weighted Average Life</i> (*)	<i>Valuation haircut</i>
[0,1)	4,8
[1,3)	7,2
[3,5)	10,4
[5,7)	12,0
[7,10)	14,4
[10, ∞)	24,0

* i.e. [0-1) residual maturity/WAL less than one year, [1-3) residual maturity/WAL equal to or greater than one year and less than three years, etc.';

3. The following Annex IIb is inserted:

'ANNEX IIb

Valuation haircut levels (in %) applied to eligible marketable assets in haircut category I for credit quality steps 4 and 5

<i>Credit quality</i>	<i>Residual maturity (years)(*)</i>	<i>Category I</i>		
		<i>fixed coupon</i>	<i>zero coupon</i>	<i>floating coupon</i>
Step 4	[0,1)	6,4	6,4	6,4
	[1,3)	9,6	10,4	9,6
	[3,5)	11,2	12	11,2
	[5,7)	12,4	13,6	12,4
	[7,10)	13,2	14,4	13,2
	[10, ∞)	14,4	16,8	14,4
Step 5	[0,1)	8	8	8
	[1,3)	11,2	12	11,2
	[3,5)	13,2	14	13,2
	[5,7)	14,4	15,6	14,4
	[7,10)	15,2	16,4	15,2
	[10, ∞)	16,4	18,8	16,4

* i.e. [0-1) residual maturity less than one year, [1-3) residual maturity equal to or greater than one year and less than three years, etc.'.

Article 2

Taking effect and implementation

1. This Guideline shall take effect on the day of its notification to the NCBs.
2. The NCBs shall take the necessary measures to comply with this Guideline and apply them from 20 April 2020, and they shall notify the ECB of the texts and means relating to those measures by 14 April 2020 at the latest.

Article 3

Addressees

This Guideline is addressed to all Eurosystem central banks.

Done at Frankfurt am Main, 7 April 2020.

For the Governing Council of the ECB

[signed]

The President of the ECB

Christine LAGARDE