



EUROPEAN CENTRAL BANK
EUROSYSTEM

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)

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 Eurosystem¹ (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.

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).

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- (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:

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.

Article 3

Admission of certain additional asset-backed securities

1. In addition to asset-backed securities (ABS) eligible under Chapter 6 of the General Documentation, ABS whose underlying assets include either only residential mortgages or only loans to small and medium-sized enterprises (SMEs) shall be eligible as collateral for Eurosystem monetary policy operations even if those ABS do not fulfil the credit assessment requirements under Section 6.3.2 of the General Documentation but otherwise comply with all eligibility criteria applicable to ABS pursuant to the General Documentation, provided that they have a second-best rating of at least the Eurosystem's minimum threshold of credit quality step 2 of the Eurosystem's harmonised rating scale, as referred to in Section 6.3.1 of the General Documentation, 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 the same asset class, i.e. the asset pool shall consist of either only residential mortgages or only loans to SMEs, and there shall be no mix of assets of different asset classes;

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- (b) the cash-flow generating assets backing the ABS shall not contain loans which are:
 - (i) at the time of the issuance of the ABS, non-performing; or
 - (ii) at any time, structured, syndicated or leveraged;
 - (c) the counterparty submitting an ABS as collateral, or any third party with which it has close links, shall not act as an interest rate hedge provider in relation to the ABS;
 - (d) the ABS transaction documents shall contain servicing continuity provisions.
2. For the purposes of paragraph 1 the terms '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 enterprises².

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.
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.

Article 5

Final provisions

This Decision shall enter into force on 19 December 2011.

Done at Frankfurt am Main, 14 December 2011.

For the Governing Council of the ECB



The President of the ECB

Mario DRAGHI

² OJ L 124, 20.5.2003, p. 36.