Regulation (EC) No 1053/2008 of the European Central Bank of 23 October 2008 on temporary changes to the rules relating to eligibility of collateral (ECB/2008/11)

REGULATION (EC) No 1053/2008 OF THE EUROPEAN CENTRAL BANK

of 23 October 2008

on temporary changes to the rules relating to eligibility of collateral

(ECB/2008/11)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty establishing the European Community and in particular to the first indent of Article 105(2) and to Article 110 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 indent of Article 34.1, in conjunction with the first indent of Article 3.1 and Article 18.2 thereof,

Whereas:

(1) To enhance on a temporary basis the provision of liquidity to counterparties for Eurosystem monetary policy operations, the criteria determining the eligibility of collateral that counterparties for Eurosystem monetary policy operations provide to the Eurosystem to obtain liquidity should be widened. The criteria determining the eligibility of collateral are laid down in Guideline ECB/2000/7 of 31 August 2000 on monetary policy instruments and procedures of the Eurosystem[(1)].

(2) The Governing Council of the European Central Bank (ECB) decided on 15 October 2008 to widen temporarily the rules relating to the eligibility of collateral for the operations of the Eurosystem. The Governing Council furthermore decided that the date of entry into force of its decision as well as any further measures regarding such widened eligibility criteria would be communicated as soon as possible.

(3) In order to implement the above mentioned decision in a manner which allows its immediate application, recourse has to be made to a regulation, which does not require further executing measures by the national central banks of the Member States that have adopted the euro (hereinafter the NCBs). This Regulation is to be in force for a limited period of time and will be replaced by an ECB Guideline,

HAS ADOPTED THIS REGULATION:

Article 1

Widening of certain eligibility criteria for collateral

1 The eligibility criteria for collateral laid down in Annex I to Guideline ECB/2000/7 (hereinafter the General Documentation) shall be widened in accordance with Articles 2 to 7.

Changes to legislation: *There are currently no known outstanding effects for the Regulation (EC) No 1053/2008 of the European Central Bank. (See end of Document for details)*

2 In the event of any discrepancy between this Regulation 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 Regulation.

Article 2

Admission of collateral denominated in US dollars, pounds sterling or Japanese yen as eligible collateral

1 Marketable debt instruments as described in Section 6.2.1 of the General Documentation, if denominated in US dollars, pounds sterling or Japanese yen, shall constitute eligible collateral for the purposes of Eurosystem monetary policy operations, provided that: (i) they are issued and held/settled in the euro area; and (ii) the issuer is established in the European Economic Area.

2 An additional haircut of 8 % shall be imposed by the Eurosystem on all such marketable debt instruments.

Article 3

Admission of syndicated loans governed by the laws of England and Wales as eligible collateral

1 Syndicated loans as described in Section 6.2.2 of the General Documentation governed by the laws of England and Wales shall constitute eligible collateral for the purposes of Eurosystem monetary policy operations.

2 Furthermore, the requirement laid down in Section 6.2.2 of the General Documentation, according to which the total number of governing laws that are applicable to: (i) the counterparty; (ii) the creditor; (iii) the debtor; (iv) the guarantor (if relevant); (v) the credit claim agreement; and (vi) the mobilisation agreement may not exceed two, shall be amended in the case of such syndicated loans so that the total number of governing laws may not exceed three.

Article 4

Admission of debt instruments issued by credit institutions, which are traded on certain non-regulated markets as eligible collateral

1 Debt instruments issued by credit institutions, which are traded on certain non-regulated markets, as specified by the ECB shall constitute eligible collateral for the purposes of Eurosystem monetary policy operations.

2 An additional haircut of 5 % shall be imposed by the Eurosystem on all such debt instruments.

Article 5

Admission of collateral with a 'BBB-' credit assessment and above as eligible collateral

1 The Eurosystem's minimum requirement for the assessment of the credit standard of assets eligible as collateral for the purposes of Eurosystem monetary policy operations shall be a 'BBB-' equivalent credit assessment. This change to the credit assessment requirement shall apply to both marketable and non-marketable assets, with the exception of asset-backed securities as described in Section 6.3 of the General Documentation, for which the requirement for high credit standards shall remain unchanged.

2 An additional haircut of 5 % shall be imposed by the Eurosystem on all eligible assets with a credit assessment below 'A-'.

Article 6

Admission of subordinated assets with adequate guarantees as eligible collateral

1 The requirement of non-subordination relating to the eligibility of marketable assets as collateral for the purposes of Eurosystem monetary policy operations as described in Section 6.2.1 of the General Documentation shall not apply when a financially sound guarantor provides an unconditional and irrevocable guarantee payable on first demand on these assets, as further defined in Section 6.3.2 of the General Documentation.

2 An additional haircut of 10 % shall be imposed by the Eurosystem on all such assets, with a further 5 % valuation markdown in the event of a theoretical valuation.

Article 7

Admission of fixed-term deposits as eligible collateral

Fixed-term deposits as described in Section 3.5 of the General Documentation from eligible counterparties shall be eligible as collateral for all refinancing operations of the Eurosystem.

Article 8

Further implementation measures

The Governing Council has delegated the competence to take any further decisions which are necessary to implement its decision of 15 October 2008 to the Executive Board.

Article 9

Final provisions

1 This Regulation shall enter into force on 25 October 2008. Articles 2 and 3 shall apply as from 14 November 2008.