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PRESS RELEASE

NEW PROVISIONS FOR THE FRAMEWORK FOR IMPLEMENTATION OF MONETARY POLICY IN THE EURO AREA

The Governing Council of the European Central Bank (ECB) has adopted Guideline ECB/2010/13, amending Guideline ECB/2000/7 on monetary policy instruments and procedures of the Eurosystem. The Guideline sets out the principles, instruments, procedures and criteria for the implementation of the single monetary policy in the euro area, and contains two annexes:

- Annex 1, entitled “The implementation of monetary policy in the euro area: General documentation on Eurosystem monetary policy instruments and procedures” (usually referred to as the “General Documentation”); and
- Annex II, entitled “Additional minimum common features”, containing the features applicable to all contractual and regulatory arrangements for monetary policy operations.

The amendments introduced by Guideline ECB/2010/13 concern primarily Annex I – i.e. the General Documentation – and relate, in particular, to the following four issues:

- **Asset-backed securities (ABSs):** clearer and more stringent provisions on the cash flow-generating assets backing ABSs, identifying swaps and synthetic securities as non-eligible cash flow-generating assets. In addition, in order to reduce claw-back risk with a view to limiting credit and legal risks, the amended provisions include restrictions on the geographical scope of ABS originators and the underlying assets to the European Economic Area (EEA),
- **Close links:** the introduction of additional exemptions from the prohibition of close links. It relates to non-UCITS covered bonds that fulfil all criteria that apply to asset-backed securities, and are both backed by residential real estate loans and denominated in euro.

- **Discretionary measures:** the enhancement of the formulation regarding the suspension, limitation or exclusion of counterparties and assets on the grounds of prudence or a default.
- **Collateralisation non-compliance:** consistency between the treatment of cases where the counterparty fails to sufficiently collateralise a liquidity-providing operation on the settlement day, and cases where the counterparty fails to sufficiently collateralise the operation during the life of the operation.

The Guideline also introduces some editorial changes into Annex II.

The new provisions will apply as from Sunday, 10 October 2010.

Moreover, the amendments to the General Documentation also relate to changes introduced as a result of the biennial review of the risk control measures, announced on 28 July, which will apply as from 1 January 2011.

The Governing Council amends Guideline ECB/2000/7 on a regular basis, in order to capture in a single legal act the relevant decisions on monetary policy instruments and procedures taken in the course of the previous months. The guidelines can be found on the ECB's website.

An updated version of the General Documentation will be published in January 2011, after all new provisions contained therein have come into force.

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