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PRESS RELEASE

ECB REFINES THE FRAMEWORK FOR THE IMPLEMENTATION OF MONETARY POLICY IN THE EURO AREA

The Governing Council of the European Central Bank (ECB) has adopted Guideline ECB/2010/30, amending Guideline ECB/2000/7 on monetary policy instruments and procedures of the Eurosystem. Guideline ECB/2000/7 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”);
- 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/2010/30 concern Annex I (i.e. the General Documentation) and relate, in particular, to the following two aspects:

- 1) **Fixed-term deposits:** the addition of fixed-term deposits from eligible counterparties with the Eurosystem to the list of assets eligible as collateral for Eurosystem operations. These fixed-term deposits will not be subject to any valuation haircut.
- 2) **Close links:** the introduction of additional exemptions from the “close link prohibition” relating to non-UCITS-compliant covered bank bonds that (i) fulfil all criteria applicable to asset-backed securities, (ii) are backed by commercial mortgage loans, and (iii) are denominated in euro.

The General Documentation has also been updated in light of Eesti Pank becoming a member of the Eurosystem and for the recent change of name of Ireland’s central bank.

The new provision on fixed-term deposits will apply as of 1 January 2011 while the new provisions on the exemptions from the close link prohibition will apply as of 1 February 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.

A consolidated version of the General Documentation will be published in February 2011.

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