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PRESS RELEASE

ECB REVIEWS RISK CONTROL MEASURES IN ITS COLLATERAL FRAMEWORK

The Governing Council of the European Central Bank (ECB) has reviewed the risk control measures in the framework for assets eligible for use as collateral in Eurosystem market operations. The resulting changes stem from the biennial review of the Eurosystem risk control measures and the Governing Council's decision of 8 April 2010 to introduce graduated valuation haircuts for lower-rated assets.

The new schedule duly graduates haircuts according to differences in maturities, liquidity categories and the credit quality of the assets concerned, based on an updated assessment of risk characteristics of eligible assets and the actual use of eligible assets by counterparties. The new haircuts will not imply an undue decrease in the collateral available to counterparties.

Moreover, the definition of liquidity categories for marketable assets and the application of additional valuation mark-downs for theoretically valued assets have been fine-tuned following the review. In particular, all non-Jumbo covered bonds, including structured covered bonds and multi-issuer covered bonds, together with traditional (UCITS-compliant) covered bonds, will be classified in liquidity category III. The additional valuation mark-down of 5% currently applied to theoretically valued asset-backed securities will be extended to theoretically valued bank bonds (including uncovered as well as covered bank bonds, namely Jumbos, traditional and structured covered bonds and multi-issuer covered bonds).

The new haircut schedule, which will enter into force on 1 January 2011, is annexed to this press release. It contains the valuation haircuts applied to eligible marketable assets. A separate scheme will apply to inverse floating rate instruments and is also annexed to this press release, together with a new haircut schedule for non-marketable assets.

The Governing Council recalls that, if required, the Eurosystem has the possibility to limit or exclude the use of certain assets as collateral in its credit operations, also at the level of individual counterparties.

European Central Bank
Directorate Communications, Press and Information Division
Kaiserstrasse 29, D-60311 Frankfurt am Main
Tel.: +49 69 1344 7455, Fax: +49 69 1344 7404
Internet: http://www.ecb.europa.eu