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PRESS RELEASE

ECB ANNOUNCES MEASURES TO SUPPORT BANK LENDING AND MONEY MARKET ACTIVITY

The Governing Council of the European Central Bank (ECB) has today decided on additional enhanced credit support measures to support bank lending and liquidity in the euro area money market. In particular, the Governing Council has decided:

- To conduct two longer-term refinancing operations (LTROs) with a maturity of 36 months and the option of early repayment after one year.
- To discontinue for the time being, as of the maintenance period starting on 14 December 2011, the fine-tuning operations carried out on the last day of each maintenance period.
- To reduce the reserve ratio, which is currently 2%, to 1% as of the reserve maintenance period starting on 18 January 2012. As a consequence of the full allotment policy applied in the ECB's main refinancing operations and the way banks are using this option, the system of reserve requirements is not needed to the same extent as under normal circumstances to steer money market conditions.
- To increase collateral availability by (i) reducing the rating threshold for certain asset-backed securities (ABS) and (ii) allowing national central banks (NCBs), as a temporary solution, to accept as collateral additional performing credit claims (i.e. bank loans) that satisfy specific eligibility criteria. These two measures will take effect as soon as the relevant legal acts have been published.

Modalities of the two longer-term refinancing operations with a maturity of 36 months and the option of early repayment after one year:

- o The operations will be conducted as fixed rate tender procedures with full allotment. The rate in these operations will be fixed at the average rate of the main refinancing operations over the life of the respective operation. Interest will be paid when the respective operation matures.
- o After one year counterparties will have the option to repay any part of the amounts they are allotted in the operations, on any day that coincides with the settlement day of a main refinancing operation. Counterparties must inform their respective NCB, giving one week's notice, of the amount they wish to repay.
- o The operations will be conducted according to the schedule shown in the table. The first operation will be allotted on 21 December 2011 and will replace the 12-month LTRO announced on 6 October 2011.

Announcement date	Allotment date	Settlement date	First date for early repayment	Maturity date	Maturity
20 Dec. 2011	21 Dec. 2011	22 Dec. 2011	30 Jan. 2013	29 Jan. 2015	1134 days
28 Feb. 2012	29 Feb. 2012			1 Mar. 2012	27 Feb. 2013

- o Counterparties are permitted to shift all of the outstanding amounts received in the 12-month LTRO allotted in October 2011 into the first 3-year LTRO allotted on 21 December 2011. Those counterparties that wish to do so are requested to notify their respective NCB by Monday, 19 December 2011.

Details of measures to increase collateral availability:

- o In addition to the ABS that are already eligible for Eurosystem operations, ABS having a second-best rating of at least "single A" in the Eurosystem's harmonised credit scale at issuance, and at all times subsequently,¹ and the underlying assets of which comprise residential mortgages and loans to small and medium-sized enterprises (SMEs), will be eligible for use as collateral in Eurosystem credit operations. They must also satisfy all of the following requirements:
 - (a) the cash-flow-generating assets backing the ABS must all belong to the same asset class, i.e. the asset class must consist of either only residential mortgages or only loans to SMEs;

- (b) the cash-flow-generating assets backing the ABS cannot include loans which are:
 - (i) at the time of 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) cannot act as an interest rate swap provider in relation to the ABS;
 - (d) the ABS transaction documents must contain servicing continuity provisions;
 - (e) the ABS must fulfil all other existing eligibility requirements, except for the ratings requirement.
- o To allow NCBs, as a temporary solution, to accept as collateral for Eurosystem credit operations additional performing credit claims that satisfy specific eligibility criteria. The responsibility entailed in the acceptance of such credit claims will be borne by the NCB authorising their use. Details of the criteria for the use of credit claims will be announced in due course.
 - o Furthermore, the Governing Council would welcome wider use of credit claims as collateral in the Eurosystem's credit operations on the basis of harmonised criteria and announces that the Eurosystem is aiming to:
 - (i) enhance its internal credit assessment capabilities; and
 - (ii) encourage potential external credit assessment providers (rating agencies and providers of rating tools), and commercial banks that use an internal ratings-based system, to seek Eurosystem endorsement under the Eurosystem Credit Assessment Framework.

^[1]The second-best rating must comply with credit quality step 2 of the Eurosystem's harmonised rating scale (details of which are available on the ECB's website), which corresponds to a long-term rating of A+/A/A- by Fitch or Standard & Poor's, A1/A2/A3 by Moody's or AH/A/AL by DBRS.

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