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PRESS RELEASE

ECB PUBLISHES STUDY COMPARING COLLATERAL ELIGIBILITY REQUIREMENTS

The European Central Bank (ECB) has published a report entitled *Collateral eligibility requirements: a comparative study across specific frameworks* today. The report provides a comparison of the rules for the eligibility of collateral. The comparison covers (i) the collateral policies followed by different central banks (including European central banks, as well as the central banks of the United States and Japan), (ii) the regulatory frameworks in place and (iii) the practices of central counterparties (CCPs). The report, which was prepared by the ECB's Contact Group on Euro Securities Infrastructures (COGESI) in cooperation with the ECB's Money Market Contact Group (MMCG), is aimed at improving transparency by highlighting the differences between, and similarities in, the collateral requirements faced by the financial industry.

The report was presented and discussed during a workshop with market participants, regulators and central bank representatives, held by the ECB in Frankfurt. One of the main conclusions is that, while there is a certain overlap between each set of rules, there are also significant differences, and this diversification is a positive element that enhances overall market resilience. "At a time of increasing demand for collateral assets, this report contributes to a better understanding of collateral requirements both for market participants, which interact with different frameworks, and for authorities, which have to provide guidance," said Benoît Cœuré, member of the ECB's Executive Board.

In his remarks during the workshop, Mr Cœuré said that, in an environment of diversified collateral frameworks, two important conditions should be met. The first is the requirement of ex-ante transparency of the different frameworks. The second, is to ensure a smooth and efficient functioning of all market infrastructures in order to allow collateral to be transferred to the right place at the right time. "Given the differences in frameworks, it is important that there are no obstacles in the transfer of collateral," he added, encouraging COGESI to work towards a better understanding of "the linkages between collateral frameworks, regulatory rules and market practices."

Triparty settlement interoperability

An important milestone on the issue of collateral mobility within the euro repo market was also achieved today, with the signing of a Memorandum of Understanding (MoU) between key market participants to work together on the issue of triparty settlement interoperability (TSI). The so-called TSI initiative is a joint undertaking of the European Repo Council, central counterparties (CCPs) and central securities depositories (CSDs) that has the ultimate goal of more efficiently bringing together borrowers and lenders, regardless of where their underlying liquidity or collateral is held, thereby contributing to further market integration.

The report entitled “*Collateral eligibility requirements: a comparative study across specific frameworks*” is available on the ECB’s website (www.ecb.europa.eu).

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