

Press release

7 April 2020

ECB announces package of temporary collateral easing measures

- ECB adopts an unprecedented set of collateral measures to mitigate the tightening of financial conditions across the euro area
- Temporary increase in the Eurosystem's risk tolerance in order to support credit to the economy
- ECB eases the conditions for the use of credit claims as collateral
- ECB adopts a general reduction of collateral valuation haircuts
- Waiver to accept Greek sovereign debt instruments as collateral in Eurosystem credit operations
- ECB will assess further measures to temporarily mitigate the effect on counterparties' collateral availability from rating downgrades

The Governing Council of the European Central Bank (ECB) today adopted a package of temporary collateral easing measures to facilitate the availability of eligible collateral for Eurosystem counterparties to participate in liquidity providing operations, such as the targeted longer-term refinancing operations (TLTRO-III). The package is complementary to other measures recently announced by the ECB, including additional longer-term refinancing operations (LTROs) and the Pandemic Emergency Purchase Programme (PEPP) as a response to the coronavirus emergency. The measures collectively support the provision of bank lending especially by easing the conditions at which credit claims are accepted as collateral. At the same time the Eurosystem is increasing its risk tolerance to support the provision of credit via its refinancing operations, particularly by lowering collateral valuation haircuts for all assets consistently.

The emergency collateral package contains three main features.

First, the Governing Council decided on a set of collateral measures to facilitate an increase in bank funding against loans to corporates and households. This will be achieved by expanding the use of

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credit claims as collateral, in particular through the potential expansion of the additional credit claims (ACCs) frameworks. The ACC framework provides the possibility to National Central Banks to enlarge the scope of eligible credit claims for counterparties in their jurisdictions. This includes the possibility to accept loans with lower credit quality, loans to other types of debtors, not accepted in the ECB's general framework, and foreign-currency loans.

In this respect, the Governing Council decided to temporarily extend the ACC frameworks further by:

- Accommodating the requirements on guarantees to include government and public sector guaranteed loans to corporates, SMEs and self-employed individuals and households in the ACC frameworks in order to also provide liquidity against loans benefiting from the new guarantee schemes adopted in euro area Member States as a response to the coronavirus pandemic;
- Enlarging the scope of acceptable credit assessment systems used in the ACC frameworks, for example by easing the acceptance of banks' own credit assessments from internal rating-based systems that are approved by supervisors;
- Reducing the ACC loan level reporting requirements to allow counterparties to benefit from the ACC frameworks even before the necessary reporting infrastructure is put in place.

Second, the Governing Council further adopted the following temporary measures:

- A lowering of the level of the non-uniform minimum size threshold for domestic credit claims to EUR 0 from EUR 25,000 previously to facilitate the mobilisation as collateral of loans from small corporate entities;
- An increase, from 2.5% to 10%, in the maximum share of unsecured debt instruments issued by any single other banking group in a credit institution's collateral pool. This will enable counterparties to benefit from a larger share of such assets.
- A waiver of the minimum credit quality requirement for marketable debt instruments issued by the Hellenic Republic for acceptance as collateral in Eurosystem credit operations.

Third, the Governing Council decided to temporarily increase its risk tolerance level in credit operations through a general reduction of collateral valuation haircuts by a fixed factor of 20%. This adjustment aims to contribute to the collateral easing measures while maintaining a consistent degree of protection across collateral asset types, albeit at a temporarily lower level.

These measures are temporary for the duration of the pandemic crisis and linked to the duration of the PEPP. They will be re-assessed before the end of 2020, also considering whether there is a need to

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extend some of these measures to ensure that Eurosystem counterparties' participation in its liquidity providing operations is not adversely affected.

In addition, as part of the regular review of its risk control framework, the Governing Council decided to adjust the haircuts applied to non-marketable assets, both in the general collateral framework and for ACCs, by fine-tuning some of the haircut parameters. This adjustment, which is not linked to the duration of the PEPP, applies in addition to the temporary haircut reduction and thus further supports the collateral easing measures while maintaining adequate risk protection. This leads on average to a further haircut reduction of this type of collateral by around 20%.

Furthermore, the Governing Council has mandated the Eurosystem committees to assess measures to temporarily mitigate the effect on counterparties' collateral availability from rating downgrades arising from the economic impact of coronavirus, while continuing ensuring collateral adequacy.

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