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GUIDELINE OF THE EUROPEAN CENTRAL BANK
of 9 July 2014
on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral and amending Guideline ECB/2007/9
(recast)
(ECB/2014/31)
 (2014/528/EU)
 (OJ L 240, 13.8.2014, p. 28)

Amended by:

			Official Journal		
			No	page	date
► <u>M1</u>	Guideline ECB/2014/46 of the European Central Bank of 19 November 2014	of	L 348	27	4.12.2014
► <u>M2</u>	Guideline (EU) 2016/2300 of the European Central Bank of 2 November 2016	of	L 344	123	17.12.2016
► <u>M3</u>	Guideline (EU) 2018/572 of the European Central Bank of 7 February 2018	of	L 95	49	13.4.2018



GUIDELINE OF THE EUROPEAN CENTRAL BANK

of 9 July 2014

**on additional temporary measures relating to Eurosystem
refinancing operations and eligibility of collateral and amending
Guideline ECB/2007/9**

(recast)

(ECB/2014/31)

(2014/528/EU)

Article 1

Additional measures relating to refinancing operations and eligible collateral

1. The rules for the conduct of Eurosystem monetary policy operations and the eligibility criteria for collateral laid down in this Guideline shall apply in conjunction with Guideline ECB/2011/14.

2. In the event of any discrepancy between this Guideline and Guideline ECB/2011/14, as implemented at national level by the NCBs, this Guideline shall prevail. The NCBs shall continue to apply all the provisions of Guideline ECB/2011/14 unaltered unless otherwise provided for in this Guideline.

3. For the purposes of Article 6(1) and Article 8, the Hellenic Republic and the Republic of Cyprus shall be considered euro area Member States compliant with a European Union/International Monetary Fund programme.

Article 2

Option to reduce the amount of, or terminate, longer-term refinancing operations

1. The Eurosystem may decide that, under certain conditions, counterparties may reduce the amount of, or terminate, certain longer-term refinancing operations before maturity (such reduction of the amount or termination hereinafter also collectively referred to as 'early repayment'). The tender announcement shall specify whether the option to reduce the amount of, or terminate, the operations in question before maturity applies, as well as the date from when such option may be exercised. This information may alternatively be provided in another format deemed appropriate by the Eurosystem.

2. A counterparty may exercise the option to reduce the amount of, or terminate, longer-term refinancing operations before maturity by notifying the relevant NCB of the amount it intends to repay under the early repayment procedure, as well as of the date on which it intends to make such early repayment, at least one week in advance

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of that early repayment date. Unless otherwise specified by the Eurosystem, an early repayment may be effected on any day that coincides with the settlement day of a Eurosystem main refinancing operation, provided that the counterparty makes the notification referred to in this paragraph at least one week in advance of that date.

3. The notification referred to in paragraph 2 shall become binding on the counterparty one week before the early repayment date it refers to. Failure by the counterparty to settle, in full or in part, the amount due under the early repayment procedure by the due date may result in the imposition of a financial penalty as set out in Section 1 of Appendix 6 to Annex I to Guideline ECB/2011/14. The provisions of Section 1 of Appendix 6 which apply to infringements of rules related to tender operations shall apply where a counterparty fails to settle, in full or in part, the amount due on the early repayment date referred to in paragraph 2. The imposition of a financial penalty shall be without prejudice to the NCB's right to exercise the remedies provided for on the occurrence of an event of default as set out in Annex II to Guideline ECB/2011/14.

*Article 3***Admission of certain additional asset-backed securities**

1. In addition to asset-backed securities (ABS) eligible under Chapter 6 of Annex I to Guideline ECB/2011/14, ABS which do not fulfil the credit assessment requirements under Section 6.3 of Annex I to Guideline ECB/2011/14 but which otherwise comply with all eligibility criteria applicable to ABS pursuant to Annex I to Guideline ECB/2011/14 shall be eligible as collateral for Eurosystem monetary policy operations, provided that they have two ratings of at least 'triple B' level⁽¹⁾ from any accepted external credit assessment institution for the issue. They shall also satisfy all the following requirements:

- (a) the cash-flow generating assets backing the ABS shall belong to one of the following asset classes: (i) residential mortgages; (ii) loans to small and medium-sized enterprises (SMEs); **►M3** (iii) **◄** (iv) auto loans; (v) leasing receivables; (vi) consumer finance loans; (vii) credit card receivables;
- (b) there shall be no mix of different asset classes in the cash-flow generating assets;
- (c) the cash-flow generating assets backing the ABS shall not contain loans which are any of the following:
 - (i) non-performing at the time of issuance of the ABS;

⁽¹⁾ A 'triple B' rating is a rating of at least 'Baa3' from Moody's, 'BBB-' from Fitch or Standard & Poor's, or 'BBBL' from DBRS.

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- (ii) non-performing when incorporated in the ABS during the life of the ABS, for example by means of a substitution or replacement of the cash-flow generating assets;

- (iii) at any time, structured, syndicated or leveraged;

- (d) the ABS transaction documents shall contain servicing continuity provisions.

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2. ABS referred to in paragraph 1 that do not have two public credit ratings of at least credit quality step 2 in the Eurosystem harmonised rating scale in accordance with Article 82(1)(b) of Guideline (EU) 2015/510 of the European Central Bank (ECB/2014/60) ⁽¹⁾ shall be subject to a valuation haircut that depends on their weighted average life as detailed in Annex IIa.

2a. The weighted average life of the senior tranche of an ABS shall be estimated as the expected weighted average time remaining until repayment has been made for that tranche. For retained mobilised ABS, the calculation of the weighted average life shall assume that issuer call options will not be exercised.

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4. A counterparty may not submit ABS that are eligible pursuant to paragraph 1 as collateral if the counterparty, or any third party with which it has close links, acts as an interest rate hedge provider in relation to the ABS.

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5. An NCB may accept as collateral for Eurosystem monetary policy operations ABS whose underlying assets include residential mortgages or loans to SMEs or both and which do not fulfil the credit assessment requirements under Chapter 2 of Title II of Part Four of Guideline (EU) 2015/510 (ECB/2014/60) and the requirements referred to in points (a) to (d) of paragraph 1 and in paragraph 4, but which otherwise comply with all eligibility criteria applicable to ABS pursuant to Guideline (EU) 2015/510 (ECB/2014/60) and have two public credit ratings of at least credit quality step 3 in the Eurosystem harmonised rating scale. Such ABS shall be limited to those issued before 20 June 2012 and shall be subject to a valuation haircut that depends on their weighted average life as detailed in Annex IIa.

⁽¹⁾ Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60) (General Documentation Guideline) (OJ L 91, 2.4.2015, p. 3).

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7. For the purposes of this Article the following definitions shall apply:

- (a) ‘residential mortgage’, besides residential real estate mortgage-backed loans, shall include guaranteed residential real estate loans (without a real estate mortgage) if the guarantee is payable promptly on default. Such guarantee may be provided in different contractual formats, including contracts of insurance, provided they are granted by a public sector entity or a financial institution subject to public supervision. The credit assessment of the guarantor for the purposes of such guarantees must comply with credit quality step 3 in the Eurosystem's harmonised rating scale over the life of the transaction;
- (b) ‘small enterprise’ and ‘medium-sized enterprise’ means an entity engaged in an economic activity, irrespective of its legal form, where the reported sales for the entity, or if the entity is a part of a consolidated group for the consolidated group, are less than EUR 50 million;
- (c) ‘non-performing loan’ shall include loans where payment of interest or principal is past due by 90 or more days and the obligor is in default, as defined in Article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council ⁽¹⁾, or when there are good reasons to doubt that payment will be made in full;
- (d) ‘structured loan’ means a structure involving subordinated credit claims;
- (e) ‘syndicated loan’ means a loan provided by a group of lenders in a lending syndicate;
- (f) ‘leveraged loan’ means a loan provided to a company that already has a considerable degree of indebtedness, such as buy-out or take-over-financing, where the loan is used for the acquisition of the equity of a company which is also the obligor of the loan;

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- (g) ‘servicing continuity provisions’ means provisions in the legal documentation of an asset-backed security that consist of either back-up servicer provisions or back-up servicer facilitator provisions (if there are no back-up servicer provisions). In the case of back-up servicer facilitator provisions, a back-up servicer facilitator should be nominated and the facilitator should be mandated to find a suitable back-up servicer within 60 days of the occurrence of a trigger event in order to ensure timely payment and servicing of the asset-backed security. These provisions shall also include servicer replacement triggers for the appointment of a back-up servicer, which can be rating-based and/or non-rating-based, e.g. non-performance of obligations by the current servicer. In the

⁽¹⁾ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

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case of back-up servicer provisions, the back-up servicer shall not have close links to the servicer. In the case of back-up servicer facilitator provisions, there shall not be close links between each of the servicer, the back-up servicer facilitator and the issuer account bank at the same time;

- (h) 'close links' has the meaning given in Article 138(2) of Guideline (EU) 2015/510 (ECB/2014/60);
- (i) 'retained mobilised ABS' means ABS used in a percentage greater than 75 % of the outstanding nominal amount by a counterparty that originated the ABS or by entities with close links to the originator.

▼B*Article 4***Admission of certain additional credit claims**

1. NCBs may accept as collateral for Eurosystem monetary policy operations credit claims that do not satisfy the Eurosystem eligibility criteria.

2. NCBs that decide to accept credit claims in accordance with paragraph 1 shall establish eligibility criteria and risk control measures for this purpose by specifying deviations from the requirements of Annex I to Guideline ECB/2011/14. Such eligibility criteria and risk control measures shall include the criterion that the credit claims are governed by the laws of the Member State of the NCB establishing the eligibility criteria and risk control measures. The eligibility criteria and risk control measures shall be subject to the Governing Council's prior approval.

3. In exceptional circumstances NCBs may, subject to the Governing Council's prior approval, accept credit claims:

- (a) in application of the eligibility criteria and risk control measures established by another NCB pursuant to paragraphs 1 and 2; or
- (b) governed by the law of any Member State other than the Member State in which the accepting NCB is established, or
- (c) that are included in a pool of credit claims or backed by real estate assets, if the law governing the credit claim or the relevant debtor (or guarantor, where applicable) is that of any Member State other than the one in which the accepting NCB is established.

4. Another NCB shall only provide assistance to an NCB accepting credit claims pursuant to paragraph 1 if bilaterally agreed between both NCBs and subject to prior approval by the Governing Council.

*Article 5***Acceptance of certain short-term debt instruments**

1. NCBs may accept as collateral for Eurosystem monetary policy operations certain short-term debt instruments that do not satisfy the Eurosystem eligibility criteria for marketable assets laid down in Annex I to Guideline ECB/2011/14.

2. NCBs that decide to accept short-term debt instruments in accordance with paragraph 1, shall establish the eligibility criteria and risk control measures for such purpose provided they meet the minimum standards specified by the Governing Council. Such eligibility criteria and risk control measures shall include the following criteria applicable to the short-term debt instruments.

- (a) They are issued by non-financial corporations ⁽¹⁾ that are established in the euro area. The guarantor of the short-term debt instrument (if any) must also be a non-financial corporation established in the euro area unless a guarantee is not needed for the short-term debt instrument to comply with the provisions on establishing high credit standards as set out in subparagraph (d).
- (b) They are not admitted to trading on a market regarded as acceptable by the Eurosystem as laid down in Section 6.2.1.5 of Annex I to Guideline ECB/2011/14.
- (c) They are denominated in euro.
- (d) They fulfil the requirements on high credit standards established by the relevant NCB which shall apply in place of the requirements of Sections 6.3.2 and 6.3.3 of Annex I to Guideline ECB/2011/14.
- (e) Other than as set out in subparagraphs (a) to (d), they are compliant with the Eurosystem eligibility criteria for marketable assets laid down in Annex I to Guideline ECB/2011/14.

3. An NCB may not, unless it does so pursuant to a bilateral agreement with another NCB, accept short-term debt instruments pursuant to paragraphs 1 and 2 that are issued in the euro area:

- (a) with that other NCB; or
- (b) with a central securities depository which (i) has been positively assessed by the Eurosystem pursuant to the standards and assessment procedures described in the 'Framework for the assessment of securities settlement systems and links to determine their eligibility for use in Eurosystem credit operations' ⁽²⁾; and (ii) is established in the euro area Member State in which the other NCB is established.

⁽¹⁾ Non-financial corporations are defined as provided for in the European System of Accounts 1995 (ESA 95).

⁽²⁾ Available on the ECB's website at www.ecb.europa.eu.

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4. For the purposes of this Article ‘short-term debt instruments’ mean debt instruments with a maturity of no longer than 365 days at issuance and at any time subsequently.

*Article 6***Acceptance of certain government-guaranteed bank bonds**

1. An NCB shall not be obliged to accept as collateral for Euro-system credit operations eligible uncovered bank bonds which:

- (a) do not fulfil the Eurosystem's requirement of high credit standards;
- (b) are issued by the counterparty using them or by entities closely linked to the counterparty; and
- (c) are fully guaranteed by a Member State:
 - (i) whose credit assessment does not comply with the Eurosystem's requirement of high credit standards for issuers and guarantors of marketable assets as laid down in Sections 6.3.1 and 6.3.2 of Annex I to Guideline ECB/2011/14; and
 - (ii) which is compliant with a European Union/International Monetary Fund programme, as assessed by the Governing Council.

2. NCBs shall inform the Governing Council whenever they decide not to accept as collateral the securities described in paragraph 1.

3. Counterparties may not submit as collateral for Eurosystem monetary policy operations uncovered bank bonds issued by themselves or issued by closely linked entities and guaranteed by a European Economic Area public sector entity with the right to impose taxes in excess of the nominal value of these bonds already submitted as collateral on 3 July 2012.

4. In exceptional cases, the Governing Council may decide on temporary derogations from the requirement laid down in paragraph 3 for a maximum of three years. A request for a derogation shall be accompanied by a funding plan that indicates how the own use of uncovered government-guaranteed bank bonds by the requesting counterparty will be phased out by no later than three years following the approval of the derogation. Any derogation already granted since 3 July 2012 shall continue to apply until it is due for review.

*Article 7***Admission of certain assets denominated in pounds sterling, yen or US dollars as eligible collateral**

1. Marketable debt instruments as described in Section 6.2.1 of Annex I to Guideline ECB/2011/14, if denominated in pounds sterling, yen or US dollars, shall constitute eligible collateral for Euro-system monetary policy operations, provided that: (a) they are issued and held/settled in the euro area; (b) the issuer is established in the European Economic Area; and (c) they fulfil all other eligibility criteria included in Section 6.2.1 of Annex I to Guideline ECB/2011/14.

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2. The Eurosystem shall apply the following valuation markdowns to such marketable debt instruments: (a) a markdown of 16 % on assets denominated in pounds sterling or US dollars; and (b) a markdown of 26 % on assets denominated in yen.

3. Marketable debt instruments described in paragraph 1, which have coupons linked to a single money market rate in their currency of denomination or to an inflation index containing no discrete range, range accrual, ratchet or similar complex structures for the respective country, shall also constitute eligible collateral for the purposes of Eurosystem monetary policy operations.

4. The ECB may publish a list of other acceptable benchmark foreign currency interest rates, in addition to those referred to in paragraph 3, on its website at www.ecb.europa.eu, following approval by the Governing Council.

5. Only Articles 1, 3, 6, 7 and 9 of this Guideline shall apply to foreign currency denominated marketable assets.

*Article 8***Suspension of the requirements for credit quality thresholds for certain marketable instruments**

1. The Eurosystem's minimum requirements for credit quality thresholds, as specified in the Eurosystem credit assessment framework rules for marketable assets in Section 6.3.2 of Annex I to Guideline ECB/2011/14 shall be suspended in accordance with paragraph 2.

2. The Eurosystem's credit quality threshold shall not apply to marketable debt instruments issued or fully guaranteed by the central governments of euro area Member States under a European Union/International Monetary Fund programme, unless the Governing Council decides that the respective Member State does not comply with the conditionality of the financial support and/or the macroeconomic programme.

3. Marketable debt instruments issued or fully guaranteed by the central government of the Hellenic Republic or the Republic of Cyprus shall be subject to the specific haircuts set out in Annexes I and II to this Guideline, respectively.

*Article 9***Taking effect, implementation and application**

1. This Guideline shall take effect on 9 July 2014.

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2. The NCBs shall take the necessary measures to comply with Article 1(3), Article 3(2), (3), (5) and (6), Article 3(7)(g), Article 4(3)(c) and Article 8(3) and apply this Guideline from 20 August 2014. They shall notify the ECB of the texts and means relating to measures relating to Article 1(3), Article 3(2), (3), (5) and (6), Article 3(7)(g), Article 4(3)(c) and Article 8(3) by 6 August 2014 at the latest, and any measures relating to Article 5 in accordance with the procedures specified by the Governing Council.

3. Article 6 shall apply until 28 February 2015.

*Article 10***Amendment to Guideline ECB/2007/9**

In Part 5 of Annex III the paragraph following Table 2 is replaced by the following:

‘Calculation of lump-sum allowance for control purposes (R6):

Lump-sum allowance: The allowance is applied to every credit institution. Each credit institution deducts a maximum lump sum designed to reduce the administrative cost of managing very small reserve requirements. Should [reserve base × reserve ratio] be less than EUR 100 000, then the lump sum allowance equals [reserve base × reserve ratio]. Should [reserve base × reserve ratio] be greater than or equal to EUR 100 000, then the lump sum allowance equals EUR 100 000. Institutions allowed to report statistical data regarding their consolidated reserve base as a group (as defined in Part 2, Section 1 of Annex III to Regulation (EC) No 25/2009 (ECB/2008/32)) hold minimum reserves through one of the institutions in the group which is acting as an intermediary exclusively for these institutions. In accordance with Article 11 of Regulation (EC) No 1745/2003 of the European Central Bank of 12 September 2003 on the application of minimum reserves (ECB/2003/9) (*), in the latter case only the group as a whole is entitled to deduct the lump sum allowance.

The minimum (or “required”) reserves are computed as follows:

Minimum (or “required”) reserves = reserve base × reserve ratio —
lump sum allowance

The reserve ratio applies in accordance with Regulation (EC) No 1745/2003 (ECB/2003/9).

(*) OJ L 250, 2.10.2003, p. 10.’

*Article 11***Repeal**

1. Guideline ECB/2013/4 is repealed from 20 August 2014.

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2. References to Guideline ECB/2013/4 shall be construed as references to this Guideline and shall be read in accordance with the correlation table in Annex IV.

Article 12

Addressees

This Guideline is addressed to all Eurosystem central banks.

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ANNEX I

Haircut schedule applying to marketable debt instruments issued or fully guaranteed by the Hellenic Republic

	Residual maturity (years)	Fixed- and floating rate coupon	Zero coupon
Greek government bonds (GGBs)	0-1	6,5	6,5
	1-3	11,0	12,0
	3-5	16,5	18,0
	5-7	23,0	26,0
	7-10	34,0	39,5
	> 10	40,0	52,5
	Residual maturity (years)	Fixed- and floating rate coupon	Zero coupon
Government-guaranteed bank bonds (GGBBs) and government-guaranteed non-financial corporate bonds	0-1	13,5	14,0
	1-3	19,0	20,0
	3-5	24,5	26,5
	5-7	31,5	35,0
	7-10	43,5	49,5
	> 10	50,0	62,0

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ANNEX II

Haircut schedule applying to marketable debt instruments issued or fully guaranteed by the Republic of Cyprus

	Maturity bucket	Haircuts for fixed coupons and floaters	Haircuts for zero coupon
Government bonds	0-1	14,5	14,5
	1-3	27,5	29,5
	3-5	37,5	40,0
	5-7	41,0	45,0
	7-10	47,5	52,5
	> 10	57,0	71,0
	Maturity bucket	Haircuts for fixed coupons and floaters	Haircuts for zero coupon
Government guaranteed bank bonds and government-guaranteed non-financial corporate bonds	0-1	23,0	23,0
	1-3	37,0	39,0
	3-5	47,5	50,5
	5-7	51,5	55,5
	7-10	58,0	63,0
	> 10	68,0	81,5

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Weighted Average Life	Valuation haircut
0-1	6,0
1-3	9,0
3-5	13,0
5-7	15,0
7-10	18,0
> 10	30,0

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ANNEX III

REPEALED GUIDELINE WITH ITS SUBSEQUENT AMENDMENTS

Guideline ECB/2013/4 (OJ L 95, 5.4.2013, p. 23).

Guideline ECB/2014/12 (OJ L 166, 5.6.2014, p. 42).



ANNEX IV

CORRELATION TABLE

Guideline ECB/2013/4	This Guideline
Articles 1 and 2	Articles 1 and 2
Article 3(4) and (5)	Article 3(4) and (5)
Article 3(6)	Article 3(7)
Article 4	Article 4
Article 3(6)(1)	Article 3(7)(a)
Article 3(6)(2)	Article 3(7)(b)
Article 3(6)(3)	Article 3(7)(c)
Article 3(6)(4)	Article 3(7)(d)
Article 3(6)(5)	Article 3(7)(e)
Article 3(6)(6)	Article 3(7)(f)
—	Article 5
Article 5	Article 6
Article 6	Article 7
Article 7	Article 8
Article 8	Article 9
Article 9	Article 10
—	Article 11
Article 11	Article 12
Guideline ECB/2014/12	This Guideline
Article 1(1)	Article 1(3)
Article 1(2)	Article 3(1)
Decision ECB/2013/22	This Guideline
Article 1(1)	Article 1(3)
Article 1(2)	Article 8(3)
Annex	Annex II
Decision ECB/2013/36	This Guideline
Article 2(1)(a)	Article 3(2)
Article 2(1)(b)	Article 3(3)
Article 2(2)	Article 3(5)
Article 3(2)	Article 3(7)(g)
Article 3(3)	Article 3(6)
Article 4(c)	Article 4(3)(c)