

GUIDELINE (EU) 2022/988 OF THE EUROPEAN CENTRAL BANK**of 2 May 2022****amending Guideline (EU) 2016/65 on the valuation haircuts applied in the implementation of the Eurosystem monetary policy framework (ECB/2015/35) (ECB/2022/18)**

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union and in particular the first indent of Article 127(2) thereof,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank, and in particular the first indent of Article 3.1, Articles 9.2, 12.1, 14.3, 18.2 and the first paragraph of Article 20 thereof,

Whereas:

- (1) In accordance with Article 18.1 of the Statute of the European System of Central Banks and of the European Central Bank, the European Central Bank (ECB) and the national central banks of the Member States whose currency is the euro (hereinafter the 'NCBs') may conduct credit operations with credit institutions and other market participants, with lending being based on adequate collateral. The general conditions under which the ECB and the NCBs stand ready to enter into credit operations, including the criteria determining the eligibility of collateral for the purposes of Eurosystem credit operations, are laid down in Guideline (EU) 2015/510 of the European Central Bank (ECB/2014/60) ⁽¹⁾.
- (2) All eligible assets for Eurosystem credit operations are subject to specific risk control measures in order to protect the Eurosystem against financial losses in circumstances in which the collateral has to be realised due to an event of default of a counterparty. The Eurosystem risk control framework is regularly reviewed in order to ensure adequate protection.
- (3) The Governing Council conducted a comprehensive review of the temporary collateral easing measures adopted since 2020 in response to the exceptional economic and financial circumstances associated with the spread of coronavirus disease (COVID-19), including the temporary reduction of valuation haircuts. This review took into account (a) that Eurosystem counterparties participating in targeted longer-term refinancing operations conducted under Decision (EU) 2019/1311 of the European Central Bank (ECB/2019/21) ⁽²⁾ should be able to continue mobilising sufficient collateral for these operations; (b) the collateral impact for Eurosystem counterparties associated with each of such measures; (c) risk considerations associated with each of such measures; (d) other market and policy considerations. In that context, the Governing Council decided on 23 March 2022, inter alia, to phase out the abovementioned haircut reduction in two stages, the first one of which is to start on 8 July 2022, in order to increase the Eurosystem's risk protection and risk efficiency. This needs to be reflected in the relevant provisions.
- (4) Therefore, Guideline (EU) 2016/65 of the European Central Bank (ECB/2015/35) ⁽³⁾ should be amended accordingly,

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

⁽²⁾ Decision (EU) 2019/1311 of the European Central Bank of 22 July 2019 on a third series of targeted longer-term refinancing operations (ECB/2019/21) (OJ L 204, 2.8.2019, p. 100).

⁽³⁾ Guideline (EU) 2016/65 of the European Central Bank of 18 November 2015 on the valuation haircuts applied in the implementation of the Eurosystem monetary policy framework (ECB/2015/35) (OJ L 14, 21.1.2016, p. 30).

HAS ADOPTED THIS GUIDELINE:

Article 1

Amendments

Guideline (EU) 2016/65 (ECB/2015/35) is amended as follows:

(1) in Article 4, points (a) and (b) are replaced by the following:

- (a) asset-backed securities, covered bonds and unsecured debt instruments issued by credit institutions that are theoretically valued in accordance with the rules contained in Article 134 of Guideline (EU) 2015/510 (ECB/2014/60) shall be subject to an additional valuation haircut in the form of a valuation markdown of 4,5 %;
- (b) own-use covered bonds shall be subject to an additional valuation haircut of (i) 7,2 % applied to the value of the debt instruments allocated to credit quality steps 1 and 2, and (ii) 10,8 % applied to the value of the debt instruments allocated to credit quality step 3;;

(2) in Article 5, paragraph 5 is replaced by the following:

- ‘5. Non-marketable retail mortgage-backed debt instruments shall be subject to a valuation haircut of 28,4 %.’;

(3) the Annex is amended in accordance with the Annex to this Guideline.

Article 2

Taking effect and implementation

1. This Guideline shall take effect on the day of its notification to the NCBs.
2. The NCBs shall take the necessary measures to comply with this Guideline and apply them from 8 July 2022. They shall notify the European Central Bank of the texts and means relating to those measures by 20 May 2022 at the latest.

Article 3

Addressees

This Guideline is addressed to the NCBs.

Done at Frankfurt am Main, 2 May 2022.

For the Governing Council of the ECB
The President of the ECB
Christine LAGARDE

In the Annex, Tables 2, 2a and 3 are replaced by the following:

Table 2

Valuation haircut levels (in %) applied to eligible marketable assets in haircut categories I to IV

		Haircut categories											
Credit quality	Residual maturity (years) (*)	Category I			Category II			Category III			Category IV		
		fixed coupon	zero coupon	floating coupon	fixed coupon	zero coupon	floating coupon	fixed coupon	zero coupon	floating coupon	fixed coupon	zero coupon	floating coupon
Steps 1 and 2	[0,1)	0,5	0,5	0,5	0,9	0,9	0,9	0,9	0,9	0,9	6,8	6,8	6,8
	[1,3)	0,9	1,8	0,5	1,4	2,3	0,9	1,8	2,7	0,9	9,0	9,5	6,8
	[3,5)	1,4	2,3	0,5	2,3	3,2	0,9	2,7	4,1	0,9	11,7	12,2	6,8
	[5,7)	1,8	2,7	0,9	3,2	4,1	1,4	4,1	5,4	1,8	13,1	14,0	9,0
	[7,10)	2,7	3,6	1,4	4,1	5,9	2,3	5,4	7,2	2,7	14,9	16,2	11,7
	[10, ∞)	4,5	6,3	1,8	7,2	9,5	3,2	8,1	11,7	4,1	18,0	23,0	13,1
Step 3	[0,1)	5,4	5,4	5,4	6,3	6,3	6,3	7,2	7,2	7,2	11,7	11,7	11,7
	[1,3)	6,3	7,2	5,4	8,6	12,2	6,3	10,8	13,5	7,2	20,3	22,5	11,7
	[3,5)	8,1	9,0	5,4	12,2	16,7	6,3	14,9	19,8	7,2	25,2	29,3	11,7
	[5,7)	9,0	10,4	6,3	12,6	18,0	8,6	16,7	23,4	10,8	27,5	31,5	20,3
	[7,10)	10,4	11,7	8,1	14,4	22,1	12,2	17,1	25,2	14,9	27,9	33,3	25,2
	[10, ∞)	11,7	14,4	9,0	17,1	26,6	12,6	17,6	27,0	16,7	28,4	34,2	27,5

(*) i.e. [0,1) residual maturity less than 1 year, [1,3) residual maturity equal to or greater than 1 year and less than 3 years, etc.

Table 2a

Valuation haircut levels (in %) applied to eligible marketable assets in haircut category V

Credit quality	Weighted Average Life (*)	Category V
		Valuation haircut
Steps 1 and 2	[0,1)	3,6
	[1,3)	4,1
	[3,5)	4,5
	[5,7)	8,1
	[7,10)	11,7
	[10, ∞)	18

(*) i.e. [0,1) WAL less than 1 year, [1,3) WAL equal to or greater than 1 year and less than 3 years, etc.

Table 3

Valuation haircut levels (in %) applied to eligible credit claims

Credit quality	Residual maturity (years) (*)	Fixed interest payment	Floating interest payment
Steps 1 and 2	[0,1)	7,2	7,2
	[1,3)	10,8	7,2
	[3,5)	14,4	7,2
	[5,7)	16,7	10,8
	[7,10)	21,6	14,4
	[10, ∞)	31,5	16,7
Step 3	[0,1)	13,5	13,5
	[1,3)	25,2	13,5
	[3,5)	32,9	13,5
	[5,7)	38,7	25,2
	[7,10)	40,5	32,9
	[10, ∞)	43,2	38,7

(*) i.e. [0,1) residual maturity less than 1 year, [1,3) residual maturity equal to or greater than 1 year and less than 3 years, etc.'