



EUROPEAN CENTRAL BANK
EUROSYSTEM

COURTESY TRANSLATION

Mario DRAGHI

President

Mr Mario Borghezio
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 25 November 2014

L/MD/14/489

Re: Your letter (QZ27)

Honourable Member of the European Parliament, dear Mr Borghezio,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 10 October 2014.

Concerning the purchases of asset-backed securities (ABS), the ECB has stated that its collateral framework is to serve as the guiding principle for determining the eligibility of assets. Through its acceptance of ABS as collateral in its monetary policy credit instruments, the ECB has acquired ample experience in understanding and managing these securities and in assessing their risks. Moreover, the additional risk exposure from the purchase of asset-backed securities will be limited as these securities will have to satisfy high standards of transparency and simplicity and will be characterised by a low default risk.

These standards are already embedded in the ECB's collateral framework. Regarding simplicity, the ECB does not accept as collateral – and consequently will not purchase – complex securitisations such as “squared” collateralised debt obligations or re-securitisations. Regarding transparency, the ECB only accepts as collateral those ABS which meet high standards, namely with regard to the disclosure of loan-level data.

As for the guaranteed mezzanine tranches, their intrinsic credit risk would correspond to that of the guarantor. In the absence of an adequate guarantee, the ECB would refrain from a purchase. The decision to initiate a guarantee scheme or to participate as guarantor, and the decision on the specific nature of the ABS guarantee scheme, lies exclusively with the potential guarantors.

Yours sincerely,

[signed]

Mario Draghi