



EUROPEAN CENTRAL BANK

EUROSYSTEM

Eligibility and use of collateral - some recent trends

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Temporary expansion of eligible collateral (recalled)

Additional assets eligible since October/November 2008 (until 31 December 2009):

- Marketable debt instruments in USD, JPY, GBP issued by EEA issuers.
- Marketable and non-marketable assets with a credit threshold below A-, but at least BBB- (exception: threshold for ABS still A-)
- Debt instruments issued by credit institutions and traded on acceptable non-regulated markets
- Subordinated debt instruments with acceptable guarantee according to the GD

Temporary expansion of eligible collateral (recalled)

The impact on eligibility:

- The (nominal) value of eligible marketable collateral increased from about EUR 10 trillion in September 08 to EUR 11 trillion in November 08, i.e. by about 10%.
- It increased further to EUR 12 trillion in February 09.
- Value of (eligible) non-marketable assets increased significantly due to the lowering of the credit threshold to BBB-.

Adjustments to eligibility of ABS

- ABS on ABS
- ABS rating AAA at issuance

The impact on eligibility:

- To be seen.

Trends in use of collateral

- The value of total collateral used with Eurosystem increased strongly when the full allotment policy (and the temporary expansion of collateral) was introduced –
by similar rates as outstanding credit from Eurosystem

Trends in use of collateral

- In last four weeks value of collateral in use decreased significantly (in particular ABS, uncovered bank bonds and government bonds)
 - reduction in outstanding credit from Eurosystem (re-widening of facility corridor)
 - higher haircuts (ABS, bank bonds) as of 1 February reduce market value after haircut
 - ABS cannot be used anymore by currency hedge counterparty and significant liquidity provider