



EUROPEAN CENTRAL BANK

EUROSYSTEM

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Recent Developments to the Collateral Framework and Summary of Results of the Survey on Central Bank Operating Frameworks

Some recent decisions of the Governing Council

General Framework

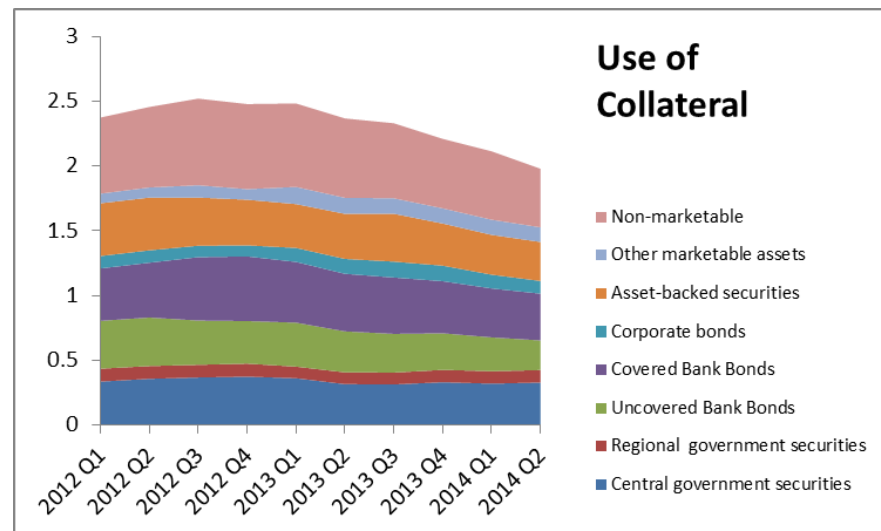
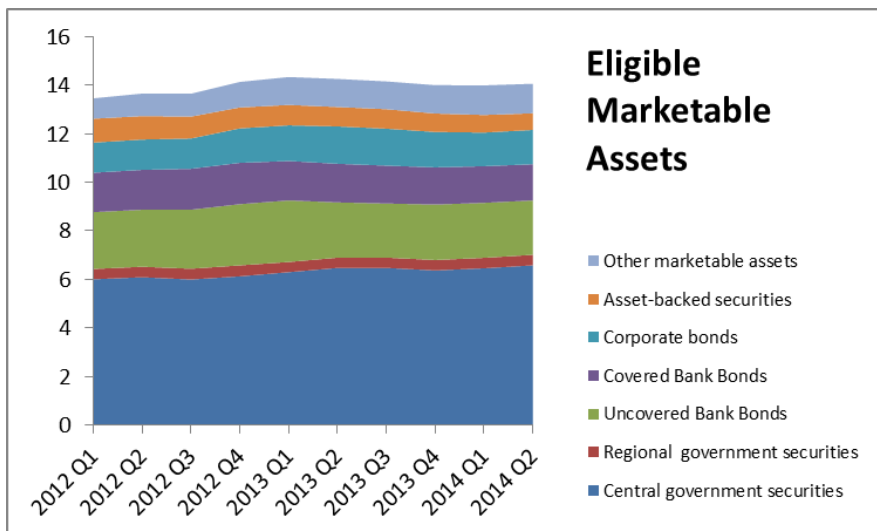
- September 2013
 - Changes in the haircut values applied to eligible assets and introduction of an add-on haircut for own-used covered bonds.
- April 2014
 - Revision of the mapping of certain credit ratings in the context of the Eurosystem Credit Assessment Framework. Most notably “BBBL” by DBRS was added as an eligible rating for Eurosystem collateral.
- September 2014
 - Adjustment of the rating priority rule for public issuers. The best available rating among issuer/issue/guarantor ratings shall be used in determining the credit quality of public issuers.

Some recent decisions of the Governing Council

Temporary Measures

- May 2014
 - Acceptance in the ACC frameworks of short-term debt instruments issued by non-financial corporations that would not satisfy the Eurosystem eligibility criteria for marketable assets, provided they comply with the eligibility criteria and risk control measures specified by the Governing Council.
- June 2014
 - The Governing Council decided to extend the existing eligibility of additional assets as collateral, notably under the ACC framework, at least until September 2018
- August 2014
 - Implementation of the Council's restrictive measures in view of Russia's actions destabilizing the situation in Ukraine.

Developments in eligibility and use of collateral



Values in EUR trillion.

Useful links:

- Monetary policy framework: <https://www.ecb.europa.eu/ecb/legal/1002/1014/html/index-tabs.en.html>
- List of eligible marketable assets: <https://www.ecb.europa.eu/paym/coll/assets/html/index.en.html>
- Collateral data: https://www.ecb.europa.eu/paym/pdf/collateral/collateral_data.pdf

Questionnaire on Central Bank Operating Frameworks and Collateral Markets

In July 2014, the ECB conducted a questionnaire to market participants active on a majority of collateral markets to better understand how these participants operate in collateral markets and to what extent the central bank's operational framework influences their activities.

Questionnaire on Central Bank Operating Frameworks and Collateral Markets (cont.)

Results of multiple choice questions

- Most important factors for participation in collateral markets:
 - secondary market liquidity (tradability);
 - return enhancement;
 - regulatory ratios regarding liquidity and leverage.
- Main limitations to market participants' activity:
 - risk limits;
 - internal policies/business model;
 - regulatory constraints.
- Aspects of the central bank's operational framework that are of high importance for collateral market functioning:
 - collateral eligibility/acceptance policy;
 - permanent vs. temporary nature of the operations;
 - tenor of the operations.

Questionnaire on Central Bank Operating Frameworks and Collateral Markets (cont.)

Results of open-ended questions

- Central bank's operational framework was particularly relevant during the global financial crisis when compared with normal times.
- Majority view that central bank haircut changes have an impact on market liquidity.
- Positive impact of unconventional monetary policies as a backstop for market and the support of market liquidity through the expansion of the collateral framework.
- Concerns about the crowding out of market mechanisms in the financial system intermediation and the timing of a potential exit scenario from temporary measures.

Questionnaire on Central Bank Operating Frameworks and Collateral Markets (cont.)

Possible policy measures and industry initiatives

- Several infrastructure developments are expected to have a significant impact on collateral markets:
 - Eurosystem cross border triparty collateral management;
 - TARGET2-Securities (T2S).
- Regulatory decisions about which collateral classes are eligible for collateral management purposes are important for enhancing individual collateral classes and reactivating the asset class in private markets:
 - E.g. ABS.

Issues for discussion

1. Impact of changes in Eurosystem haircuts in market liquidity;
2. Interaction between recent non-standard monetary policy measures and collateral management decisions;
3. Most important regulatory decisions for enhancing individual collateral classes.