

Update on changes in the collateral framework

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Expansion of eligible collateral

Additional assets to be eligible (until 31 December 2009):

Since 25 October

- 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 GD
- Fixed-term deposits

Expansion of eligible collateral

Continued...

Since 14 November

- Marketable debt instruments in USD, JPY, GBP issued by EEA issuers.

Since 17 November

- Euro syndicated loans governed by law of England and Wales

More details: Press Releases of 15 October, 17 October, 12 November, 17 November, ECB Regulation ECB/2008/11, ECB Decision ECB/2008/15.

Expansion of eligible collateral

Of course all other criteria still need to be fulfilled, e.g.

- issuer must be EEA or non-EEA G10 (for ABS and for USD, JPY, GBP only EEA);
- issuance must be in euro area;
- global bearer securities issued in the ICSDs after 1 January 2007 must be in NGN form;
- etc.

Expansion of eligible collateral

Additional haircuts will be applied to all newly eligible marketable assets.

Valuation markdown (5%) for theoretically priced subordinated bonds with guarantee (as for theoretically priced ABS as of February 09).

The use of collateral will be monitored to avoid misuse.

Why?

Eurosystem has increased the amount of credit (e.g. peak in August 08 was EUR 476 billion, peak in October 08 was EUR 823 billion).

Collateral expansion to ensure smooth implementation, i.e. to avoid shortage of eligible collateral (not only at an aggregate level).

Why these new assets?

Eurosystem needs to strike a balance between

- availability of eligible collateral
- protection of the Eurosystem

What is the impact?

- Due to expansion of eligible collateral, the value of eligible marketable collateral increased from about EUR 10.4 trillion to EUR 11.4 trillion, i.e. by 9.6%.
- The use of non-marketable assets (without UK syndicated loans) increased by 26% due to the lowering of the credit threshold to BBB-.