



EUROPEAN CENTRAL BANK

EUROSYSTEM

PRESS RELEASE

18 July 2013 - ECB further reviews its risk control framework allowing for a new treatment of asset-backed securities

The Governing Council of the European Central Bank (ECB) decided to further strengthen its risk control framework. To maintain adequate risk protection, the ECB regularly adjusts its collateral eligibility rules and haircuts applied when accepting collateral in Eurosystem monetary policy operations. In addition, some measures aim to improve the overall consistency of the framework. At the same time, the list of collateral accepted under the permanent Eurosystem collateral framework will be expanded. These measures taken together have an overall neutral effect on the amount of collateral available.

In the biennial review of its risk control framework applied in Eurosystem monetary policy operations, the Governing Council decided in particular to:

- | Update the **haircuts for marketable instruments**;
- | Adjust the risk control measures for **retained covered bonds** to take into account the additional risk which results from the use of such securities by the issuer itself and to ensure a level playing field between securities with comparable risks;
- | Replace the current requirement of two 'triple A' ratings with the requirement of **two 'single A' ratings** for the six classes of asset-backed securities (ABS) subject to loan level reporting requirements, reflecting their improved transparency and standardisation;
- | Reduce the **haircuts applicable to ABS** eligible under the **permanent** and **temporary** Eurosystem collateral framework.

In addition, the Governing Council has adjusted the eligibility criteria and haircuts applied by National Central Banks (NCBs) to pools of credit claims and certain types of the additional credit claims (ACC) eligible under the temporary Eurosystem collateral framework. The amendments will lead to more consistency of the ACC framework and is expected to generate collateral gains without affecting the overall risk contribution of ACCs.

Besides the adjustments to the risk control framework, the ECB will continue to investigate how to catalyse recent initiatives by European institutions to improve funding conditions for Small and Medium-sized Enterprises (SMEs), in particular as regards the possible acceptance of SME linked ABS guaranteed mezzanine tranches as Eurosystem collateral in line with established guarantee policies.

The Governing Council reserves the right to limit or exclude the use of certain assets as collateral in its credit operations, also at the level of individual counterparties.

These measures will come into force once formalised with the relevant Eurosystem legal acts and/or national implementing provisions.

Further details about the new haircut schedules can be obtained via the Annex to this press release.

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