



EUROPEAN CENTRAL BANK
EUROSYSTEM

EN

GUIDELINE (EU) YYYY/[XX] OF THE EUROPEAN CENTRAL BANK

of 16 December 2022

**amending Guideline ECB/2014/31 on additional temporary measures relating to Eurosystem
refinancing operations and eligibility of collateral**

(ECB/2022/50)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union, and in particular the first indent of Article 127(2) thereof,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank, and in particular the first indent of Article 3.1, and Articles 12.1, 14.3 and 18.2 thereof,

Whereas:

(1) In accordance with Article 18.1 of the Statute of the European System of Central Banks and of the European Central Bank, the European Central Bank (ECB) and the national central banks of the Member States whose currency is the euro (hereinafter the 'NCBs') may, in order to achieve the objectives of the European System of Central Banks, conduct credit operations with credit institutions and other market participants, with lending being based on adequate collateral. The general conditions under which the ECB and the NCBs stand ready to enter into credit operations, including the criteria determining the eligibility of collateral for the purposes of Eurosystem credit operations, are laid down in Guideline (EU) 2015/510 of the European Central Bank (ECB/2014/60)¹.

(2) All eligible assets for Eurosystem credit operations are subject to specific risk control measures in order to protect the Eurosystem against financial losses in circumstances in which the collateral has to be realised due to an event of default of a counterparty. The Eurosystem risk control framework is regularly reviewed in order to ensure adequate protection. As a result of that regular review, the Governing Council decided on 15 July 2022 to introduce certain changes to the risk control framework.

(3) The Governing Council decided to further phase out the temporary reduction of valuation haircuts that had been decided as part of the temporary collateral easing measures taken by the Eurosystem in response to the exceptional economic and financial circumstances associated with the spread of coronavirus disease (COVID-19). This is the second step of the gradual phasing out that was decided by the Governing Council on 23 March 2022, which will conclude the phasing out of the valuation haircut reduction.

¹ Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (General Documentation Guideline) (ECB/2014/60) (OJ L 91, 2.4.2015, p. 3).

(4) In order to allow for a more granular and apposite treatment of the risks associated with long maturity instruments, and thereby improve the risk coverage of the haircuts schedule, it was decided to split the category of instruments with the longest residual maturity, (i.e. more than ten years ([10, ∞)) into three new categories, ten to fifteen years ([10, 15)), fifteen to thirty years ([15, 30)) and thirty years or more ([30, ∞)). This decision, combined with the decision to apply a maturity-dependent theoretical valuation markdown, is also intended to improve the granularity of the risk coverage of that theoretical valuation, which is especially relevant for instruments with longer maturities.

(5) Furthermore, the Governing Council decided to replace, in both the permanent and the temporary collateral framework, the current flat 5 % theoretical valuation markdown applicable to marketable assets in accordance with Article 134 of Guideline (EU) 2015/510 (ECB/2014/60) with a maturity-graduated markdown schedule, for all theoretically valued marketable assets except those falling under haircut category I. The reason for this is to protect the Eurosystem's collateral in a more granular way against model risks arising from theoretical valuation of marketable assets.

(6) Furthermore, with a view to adequately reflecting the risks of marketable assets with floating coupons, and to improving the risk protection of the Eurosystem, it was decided to align the haircut classification of marketable assets with a fixed coupon and those with a floating coupon as they demonstrated comparable levels of total risk.

(7) Therefore, Guideline ECB/2014/31 of the European Central Bank² should be amended accordingly,

HAS ADOPTED THIS GUIDELINE:

Article 1

Amendments

Guideline ECB/2014/31 is amended as follows:

1. in Article 3, the following paragraph is inserted:

'2b. ABS eligible under Article 3(1) that are theoretically valued in accordance with the rules contained in Article 134 of Guideline (EU) 2015/510 (ECB/2014/60) shall be subject to an additional valuation haircut in the form of a valuation markdown. The valuation markdown shall depend on the weighted average life of the asset, at the levels set out in Table 4 in the Annex to Guideline (EU) 2016/65 (ECB/2015/35).';

2. Article 8b entitled 'Admission of certain marketable assets and issuers eligible on 7 April 2020' is deleted;

3. Annex IIa is replaced by Annex I to this Guideline;

4. Annex IIb is replaced by Annex II to this Guideline.

2 Guideline ECB/2014/31 of the European Central Bank of 9 July 2014 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral and amending Guideline ECB/2007/9 (OJ L 240, 13.8.2014, p. 28).

Article 2

Taking effect and implementation

1. This Guideline shall take effect on the day of its notification to the NCBs.
2. The NCBs shall take the necessary measures to comply with this Guideline and apply them from 29 June 2023. They shall notify the ECB of the texts and means relating to those measures by 17 February 2023 at the latest.

Article 3

Addressees

This Guideline is addressed to all Eurosystem central banks.

Done at Frankfurt am Main, 16 December 2022.

For the Governing Council of the ECB

[signed]

The President of the ECB

Christine LAGARDE

Annex IIa to Guideline ECB/2014/31 is replaced by the following:

'ANNEX IIa

**Valuation haircut levels (in %) applied to asset-backed securities (ABS) eligible under
Article 3(2) of this Guideline**

<i>Credit quality</i>	<i>Weighted Average Life (*)</i>	<i>Valuation haircut</i>
Step 3	[0,1)	7,0
	[1,3)	10,0
	[3,5)	13,0
	[5,7)	15,0
	[7,10)	18,0
	[10,15)	27,0
	[15,30)	31,0
	[30, ∞)	33,0

* i.e. [0-1) WAL less than one year, [1-3) WAL equal to or greater than one year and less than three years, etc.';

Annex IIb to Guideline ECB/2014/31 is replaced by the following:

'ANNEX IIb

Valuation haircut levels (in %) applied to marketable assets eligible under Article 8a of this Guideline

<i>Credit quality</i>	<i>Residual maturity (years)(*)</i>	Category I	
		fixed or floating coupon	zero coupon
Step 4	[0,1)	8,0	8,0
	[1,3)	12,0	13,0
	[3,5)	14,0	15,0
	[5,7)	15,5	17,0
	[7,10)	16,5	18,0
	[10,15)	17,0	20,0
	[15,30)	19,0	22,0
	[30, ∞)	20,0	23,0
Step 5	[0,1)	10,0	10,0
	[1,3)	14,0	15,0
	[3,5)	16,5	17,5
	[5,7)	18,0	19,5
	[7,10)	19,0	20,5
	[10,15)	20,0	23,0
	[15,30)	21,0	24,0
	[30, ∞)	23,0	26,0

* i.e. [0-1) residual maturity less than one year, [1-3) residual maturity equal to or greater than one year and less than three years, etc.'