

Newsalert

Finance and Regulated Entities Department
ECB temporary collateral easing measures

On 7 April 2020, the European Central Bank (ECB) adopted a [package of temporary collateral easing measures](#) to facilitate the availability of eligible collateral for Eurosystem counterparties to participate in liquidity providing operations, such as the targeted longer-term refinancing operations (TLTRO-III).

The package is a response to the Coronavirus emergency and complements the other measures recently announced by the ECB - including additional longer-term refinancing operations (LTROs) and the Pandemic Emergency Purchase Programme (PEPP) - aiming at supporting the provision of bank lending by easing the conditions at which credit claims are accepted as collateral. The ECB points out that the measures are temporary for the duration of the pandemic crisis and linked to the duration of the PEPP and that they will be re-assessed before the end of 2020.

In particular, the emergency collateral package adopted by the ECB contains the following measures:

- as of 8 April 2020,
 - o the level of the non-uniform minimum size threshold for domestic credit claims have been decreased to EUR 0 from EUR 30,000 to facilitate the mobilisation as collateral of loans from small corporate entities ([ECB/2020/20](#));
 - o the concentration limit of the maximum share of unsecured debt instruments issued by any single other banking group in a credit institution's collateral pool have been increased from 2.5% to 10%. This will enable counterparties to benefit from a larger share of such assets ([ECB/2020/20](#));

- as of 20 April 2020, an amendment to the valuation haircut levels (in %) applied to asset-backed securities (ABS) eligible under, respectively, (i) Guideline ECB/2016/65 on the valuation haircuts applied in the implementation of the Eurosystem monetary policy framework ([ECB/2020/20](#)) and (ii) Guideline ECB/2014/31 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral ([ECB/2020/21](#));

- as of 20 April 2020, a waiver of the minimum credit quality requirement for marketable debt instruments issued by the Hellenic Republic for acceptance as collateral in Eurosystem credit operations ([ECB/2020/21](#));

- as of 20 April 2020, a temporary increase of ECB risk tolerance level in credit operations through a general reduction of collateral valuation haircuts by a fixed factor of 20%;
- as of 20 April 2020, an expansion of the use of credit claims as collateral, in particular through the potential expansion of the additional credit claims (ACCs) frameworks by: (i) accommodating the requirements on guarantees to include government and public sector guaranteed loans to corporates, SMEs and self-employed individuals and households in the ACC frameworks; (ii) enlarging the scope of acceptable credit assessment systems used in the ACC frameworks (for example by easing the acceptance of banks' own credit assessments from internal rating-based systems that are approved by supervisors); (iii) reducing the ACC loan level reporting requirements.

In addition, the ECB decided to adjust the haircuts applied to non-marketable assets, both in the general collateral framework and for ACCs, by fine-tuning some of the haircut parameters. This amendment is not linked to the duration of the PEPP and applies in addition to the above-mentioned temporary haircut reduction in order to further support the collateral easing measures.

Furthermore, the ECB mandated the Eurosystem committees to assess measures to temporarily mitigate the effect on counterparties' collateral availability from rating downgrades arising from the economic impact of coronavirus, while continuing ensuring collateral adequacy.

For further information, please reach out to your usual Chiomenti contact.