

GUIDELINES

GUIDELINE (EU) 2021/975 OF THE EUROPEAN CENTRAL BANK

of 2 June 2021

amending Guideline ECB/2014/31 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral (ECB/2021/26)

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 5.1, 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) In response to the COVID-19 pandemic, the Governing Council adopted, on 7 April 2020 and on 22 April 2020, certain collateral easing measures with the aim of ensuring that Eurosystem counterparties remain able to maintain and mobilise sufficient collateral in order to be able to participate in Eurosystem liquidity-providing operations, and that therefore the Eurosystem is in a position to support the provision of credit to the euro area economy.
- (3) These collateral easing measures were set out in amendments introduced in Guideline ECB/2014/31 of the European Central Bank ⁽²⁾ by Guideline (EU) 2020/515 of the European Central Bank (ECB/2020/21) ⁽³⁾ and Guideline (EU) 2020/634 of the European Central Bank (ECB/2020/29) ⁽⁴⁾, respectively. Recitals 4 and 6 of Guideline (EU) 2020/515 (ECB/2020/21) stated that the additional measures set out in the amendments introduced under that Guideline should apply temporarily. No end date was specified, with the rationale that the measures could be revoked at any given time. Guideline (EU) 2020/634 (ECB/2020/29) provided that the amendments introduced via that Guideline remain in effect until 29 September 2021, as the Governing Council considered that they should apply until the first early repayment date under the third series of targeted longer-term refinancing operations (TLTRO-III) applicable at that time.

⁽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).

⁽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).

⁽³⁾ Guideline (EU) 2020/515 of the European Central Bank of 7 April 2020 amending Guideline ECB/2014/31 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral (ECB/2020/21) (OJ L 110 I, 8.4.2020, p. 26).

⁽⁴⁾ Guideline (EU) 2020/634 of the European Central Bank of 7 May 2020 amending Guideline ECB/2014/31 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral (ECB/2020/29) (OJ L 148, 11.5.2020, p. 10).

- (4) On 10 December 2020, the Governing Council decided to adopt additional monetary policy measures with the aim of contributing to preserving favourable financing conditions over the pandemic period, thereby supporting the flow of credit to all sectors of the economy, underpinning economic activity and safeguarding medium-term price stability. As part of these measures, the Governing Council decided that the collateral easing measures adopted by the Governing Council on 7 April 2020 and 22 April 2020 should apply until 30 June 2022, and this should be reflected in the relevant provisions of Guideline ECB/2014/31. This will ensure that banks can continue to make full use of the Eurosystem's liquidity operations, most notably TLTRO-III. The Governing Council will in any case reassess these collateral easing measures before June 2022.
- (5) The Governing Council considers the full range of measures adopted on 10 December 2020 necessary and proportionate to counter the serious risks posed by the continuing severe pandemic conditions to price stability, the monetary policy transmission mechanism and the economic outlook in the euro area. The Governing Council continues to stand ready to adjust all of its instruments, as appropriate, to ensure that inflation moves towards its target in a sustained manner, in line with its commitment to symmetry.
- (6) As Guideline (EU) 2020/634 (ECB/2020/29) remains in effect until 29 September 2021, it needs to be ensured that the provisions of Guideline ECB/2014/31 affected by that amending Guideline, specifically Article 8b and Annexes IIa and IIb, continue to remain in effect after that date and the necessary legislative adjustments should be made to this end. To avoid a legal vacuum with regard to the provisions in question, NCBs should comply with this Guideline from 30 September 2021.
- (7) Therefore, Guideline ECB/2014/31 should be amended accordingly,

HAS ADOPTED THIS GUIDELINE:

Article 1

Amendments to Guideline ECB/2014/31

Guideline ECB/2014/31 is amended as follows:

- (1) in Article 8a, the following paragraph is added:
‘3. The provisions of this Article shall remain in effect until 30 June 2022.’;
- (2) Article 8b is replaced by the following:

Article 8b

Admission of certain marketable assets and issuers eligible on 7 April 2020

1. Terms used in this Article shall have the same meaning as in Guideline (EU) 2015/510 (ECB/2014/60).
2. Notwithstanding the provisions of Article 59(3), Article 71 and Article 82(1)(a) of Guideline (EU) 2015/510 (ECB/2014/60), marketable assets – other than asset-backed securities (ABSs) – issued on or before 7 April 2020 that on 7 April 2020 had a public credit rating, provided by at least one accepted ECAI system, that complied with the minimum credit quality requirements of the Eurosystem, shall constitute eligible collateral for Eurosystem credit operations provided that, at all times after 7 April 2020:
 - (a) they have a public credit rating provided by at least one accepted ECAI system that complies with, as a minimum, credit quality step 5 in the Eurosystem's harmonised rating scale; and
 - (b) they continue to comply with all other eligibility criteria applicable to marketable assets as laid down in Guideline (EU) 2015/510 (ECB/2014/60).

For the avoidance of doubt, the public credit rating on 7 April 2020, as referred to in this paragraph, shall be determined by the Eurosystem on the basis of the rules set out in Article 82(1)(a), Article 82(2), Article 83, Article 84(a) and (b), Article 85 and Article 86 of Guideline (EU) 2015/510 (ECB/2014/60).

3. Where compliance of a marketable asset with the minimum credit quality requirements of the Eurosystem on 7 April 2020 is determined on the basis of an ECAI issuer rating or an ECAI guarantor rating provided by an accepted ECAI system, that marketable asset shall constitute eligible collateral for Eurosystem credit operations provided that, at all times after 7 April 2020:

- (a) the ECAI issuer rating or the ECAI guarantor rating, as applicable, for that marketable asset complies with, as a minimum, credit quality step 5 in the Eurosystem's harmonised rating scale; and
- (b) that marketable asset continues to comply with all other eligibility criteria applicable to it as laid down in Guideline (EU) 2015/510 (ECB/2014/60).

4. Marketable assets – other than ABSs – issued after 7 April 2020 whose issuer or guarantor, as applicable, had on 7 April 2020 a public credit rating, provided by at least one accepted ECAI system, that complied with the minimum credit quality requirements of the Eurosystem, shall constitute eligible collateral for Eurosystem credit operations provided that, at all times after 7 April 2020:

- (a) those marketable assets have a public credit rating, provided by at least one accepted ECAI system, that complies with, as a minimum, credit quality step 5 in the Eurosystem's harmonised rating scale; and
- (b) those marketable assets comply with all other eligibility criteria applicable to marketable assets as laid down in Guideline (EU) 2015/510 (ECB/2014/60).

For the avoidance of doubt, the public credit rating referred to in point (a) of this paragraph shall be determined by the Eurosystem on the basis of the rules set out in Article 82(1)(a), Article 82(2), Article 83, Article 84(a) and (b), Article 85 and Article 86 of Guideline (EU) 2015/510 (ECB/2014/60).

5. Covered bonds issued after 7 April 2020 under a covered bond programme that on 7 April 2020 itself had a credit assessment, provided by at least one accepted ECAI system, that complied with the minimum credit quality requirements of the Eurosystem, shall constitute eligible collateral for Eurosystem credit operations provided that:

- (a) at all times after 7 April 2020 the covered bond programme has a public credit rating, provided by at least one accepted ECAI system, that complies with, as a minimum, credit quality step 5 in the Eurosystem's harmonised rating scale, and
- (b) these covered bonds comply with all other eligibility criteria applicable to them as laid down in Guideline (EU) 2015/510 (ECB/2014/60).

6. The marketable assets referred to in Article 87(2) of Guideline (EU) 2015/510 (ECB/2014/60) that on 7 April 2020 did not have a public credit rating provided by an accepted ECAI system, but that on 7 April 2020 had an implicit credit assessment derived by the Eurosystem in accordance with the rules laid down in Article 87(1) and (2) of Guideline (EU) 2015/510 (ECB/2014/60) that complied with the credit quality requirements of the Eurosystem, shall constitute eligible collateral for Eurosystem credit operations irrespective of the date of their issuance provided that, at all times after 7 April 2020:

- (a) the issuer or guarantor, as applicable, of these marketable assets complies, as a minimum, with a credit quality requirement corresponding to credit quality step 5 in the Eurosystem's harmonised rating scale; and
- (b) these marketable assets comply with all other eligibility criteria applicable to them as laid down in Guideline (EU) 2015/510 (ECB/2014/60).

7. Notwithstanding the provisions of Article 59(3), Article 71 and Article 82(1)(b) of Guideline (EU) 2015/510 (ECB/2014/60), ABS issued on or before 7 April 2020 that on 7 April 2020 had at least two public credit ratings, each provided by a different accepted ECAI system, that complied with the minimum credit quality requirements of the Eurosystem under Guideline (EU) 2015/510 (ECB/2014/60), shall constitute eligible collateral for Eurosystem credit operations provided that, at all times after 7 April 2020:

- (a) they have at least two public credit ratings, each provided by a different accepted ECAI system, that comply with, as a minimum, credit quality step 4 in the Eurosystem's harmonised rating scale; and
- (b) they continue to comply with all other eligibility criteria applicable to ABSs as laid down in Guideline (EU) 2015/510 (ECB/2014/60).

For the avoidance of doubt, the requirements laid down in Article 3(1)(a) to (d) and Article 3(4) of this Guideline shall not apply to the ABS referred to in this paragraph.

8. ABS that on 7 April 2020 were admitted by the Eurosystem as eligible collateral under Article 3(1) of this Guideline shall remain eligible provided that, at all times after 7 April 2020:

- (a) they have two public credit ratings of at least credit quality step 4 in the Eurosystem's harmonised rating scale provided by two accepted ECAI systems; and
- (b) they continue to comply with all other requirements applicable to them under Article 3(1) (except the rating level), Article 3(2a) and Article 3(4) of this Guideline.

For the avoidance of doubt, Article 3(2) of this Guideline shall not apply to the ABS referred to in this paragraph.

9. For as long as they continue to be admitted as eligible collateral by the Eurosystem according to this Article, the marketable assets, including covered bonds, referred to in paragraphs 2 to 6 shall be subject to the valuation haircuts laid down in Annex IIb to this Guideline. The ABS referred to in paragraphs 7 and 8 shall be subject to the valuation haircuts laid down in Annex IIa to this Guideline. The valuation haircuts shall be calculated on the basis of the current rating applicable on any given day after 7 April 2020 in accordance with the rules relating to priority of ECAI credit assessments as set out in Articles 83 to 88 of Guideline (EU) 2015/510 (ECB/2014/60).

10. In addition to the valuation haircuts provided for in paragraph 9, the following additional valuation haircuts shall apply:

- (a) ABS, covered bonds and unsecured debt instruments issued by credit institutions 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 of 4 %;
- (b) own-use covered bonds shall be subject to an additional valuation haircut of (i) 6,4 % applied to the value of the debt instruments allocated to credit quality steps 1 and 2, and (ii) 9,6 % applied to the value of the debt instruments allocated to credit quality steps 3, 4 and 5;
- (c) for the purposes of paragraph (b), 'own-use' shall mean the submission or use by a counterparty of covered bonds that are issued or guaranteed by the counterparty itself or by any other entity with which that counterparty has close links as determined in accordance with Article 138 of Guideline (EU) 2015/510 (ECB/2014/60);
- (d) if the additional valuation haircut referred to in paragraph (b) cannot be applied with respect to a collateral management system of an NCB, triparty agent, or TARGET2-Securities for auto-collateralisation, the additional valuation haircut shall be applied in such systems or platform to the entire issuance value of the covered bonds that can be own used.

11. For the avoidance of doubt, the provisions of this Article are independent from and shall not be taken into account for the purposes of assessing eligibility for outright purchases under the secondary markets public sector asset programme (PSPP) (*); the third covered bond purchase programme (CBPP3) (**); the asset-backed securities purchase programme (ABSPP) (***); the corporate sector purchase programme (CSPP) (****); and the pandemic emergency purchase programme (PEPP) (*****).

12. The provisions of this Article shall remain in effect until 30 June 2022.

(*) Decision (EU) 2020/188 of the European Central Bank of 3 February 2020 on a secondary markets public sector asset purchase programme (ECB/2020/9) (OJ L 39, 12.2.2020, p. 12).

(**) Decision (EU) 2020/187 of the European Central Bank of 3 February 2020 on the implementation of the third covered bond purchase programme (ECB/2020/8) (OJ L 39, 12.2.2020, p. 6).

(***) Decision (EU) 2015/5 of the European Central Bank of 19 November 2014 on the implementation of the asset-backed securities purchase programme (ECB/2014/45) (OJ L 1, 6.1.2015, p. 4).

(****) Decision (EU) 2016/948 of the European Central Bank of 1 June 2016 on the implementation of the corporate sector purchase programme (ECB/2016/16) (OJ L 157, 15.6.2016, p. 28).

(*****) Decision (EU) 2020/440 of the European Central Bank of 24 March 2020 on a temporary pandemic emergency purchase programme (ECB/2020/17) (OJ L 91, 25.3.2020, p. 1).;

- (3) Annex IIa is replaced by Annex I to this Guideline;
- (4) Annex IIb is replaced by Annex II to this Guideline.

Article 2

Taking effect

1. This Guideline shall take effect on the day of its notification to the NCBs.
2. The Eurosystem central banks shall comply with this Guideline from 30 September 2021.

Article 3

Addressees

This Guideline is addressed to all Eurosystem central banks.

Done at Frankfurt am Main, 2 June 2021.

For the Governing Council of the ECB
The President of the ECB
Christine LAGARDE

ANNEX I

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) and Article 8b of this Guideline

Credit quality	Weighted Average Life *	Valuation haircut
Step 3	[0,1)	4,8
	[1,3)	7,2
	[3,5)	10,4
	[5,7)	12,0
	[7,10)	14,4
	[10, ∞)	24,0
Step 4	[0,1)	11,2
	[1,3)	15,2
	[3,5)	18
	[5,7)	24,8
	[7,10)	30,4
	[10, ∞)	43,2'

* i.e. [0,1) weighted average life (WAL) less than 1 year, [1,3) WAL equal to or greater than 1 year and less than 3 years, etc.

ANNEX II

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

‘ANNEX IIb

Valuation haircut levels (in %) applied to marketable assets, other than ABS, referred to in Articles 8a and 8b

Credit quality	Residual maturity (years) (*)	Category I		Category II		Category III		Category IV	
		Fixed and floating coupon	zero coupon	Fixed and floating coupon	zero coupon	Fixed and floating coupon	zero coupon	Fixed and floating coupon	zero coupon
Step 4	[0,1)	6,4	6,4	8	8	12,8	12,8	20	20
	[1,3)	9,6	10,4	12	15,2	16	18,4	28	30
	[3,5)	11,2	12	16	20	19,2	23,6	33,6	37,2
	[5,7)	12,4	13,6	20	24,8	22,4	28,4	36,8	40,4
	[7,10)	13,2	14,4	21,6	28,4	24,8	32	40	44,8
	[10,∞)	14,4	16,8	23,2	31,6	26,4	34,8	41,6	46,8
Step 5	[0,1)	8	8	12	12	22,4	22,4	24	24
	[1,3)	11,2	12	16	19,2	25,6	28	32	34
	[3,5)	13,2	14	22,4	26,4	28,8	33,2	38,4	42
	[5,7)	14,4	15,6	27,2	32	31,6	37,6	43,2	46,8
	[7,10)	15,2	16,4	28,8	35,6	33,2	40,4	46,4	51,2
	[10,∞)	16,4	18,8	30,4	38,8	33,6	42	48	53,2'

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