GUIDELINES

GUIDELINE OF THE EUROPEAN CENTRAL BANK

of 12 March 2014

amending Guideline ECB/2011/14 on monetary policy instruments and procedures of the Eurosystem

(ECB/2014/10)

(2014/329/EU)

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, Article 12.1, Article 14.3 and Article 18.2 thereof,

Whereas:

(1) Achieving a single monetary policy entails defining the instruments and procedures to be used by the Eurosystem, consisting of the national central banks of Member States whose currency is the euro (hereinafter the 'NCBs') and the European Central Bank (ECB), in order to implement such a policy in a uniform manner.

(2) The ECB has the authority to establish the necessary guidelines to implement the Eurosystem's monetary policy and the NCBs have an obligation to act in accordance with such guidelines.

(3) Pursuant to Article 18.1 of the Statute of the European System of Central Banks and of the European Central Bank, the ECB and the NCBs may conduct credit operations with credit institutions and other market participants, with lending being based on adequate collateral. The 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 such operations, are laid down in Annex I to Guideline ECB/2011/14 ([1]), as well as Decision ECB/2013/6 ([2]) and Decision ECB/2013/35 ([3]).

(4) Guideline ECB/2011/14 should be amended to reflect changes to the Eurosystem's collateral framework relating to: (a) the extension of loan-level reporting requirements to asset-backed securities backed by credit card receivables. This is intended to preserve their eligibility as collateral for Eurosystem credit operations in the light of the homogeneity requirement for the cash-flow generating assets backing the asset-backed securities laid down in the penultimate paragraph of Section 6.2.1.1 of Annex I to Guideline ECB/2011/14; and (b) the revision of the mapping of certain credit ratings in the context of the Eurosystem harmonised rating scale.

(5) Guideline ECB/2011/14 should also be amended to reflect changes due to the introduction of major improvements to the Eurosystem's correspondent central banking model (CCBM). First, it has been decided that the repatriation requirement, which required Eurosystem counterparties prior to mobilising assets as collateral for Eurosystem credit operations to transfer these assets to the respective issuer's securities settlement system (SSS),

([1]) Guideline ECB/2011/14 of 20 September 2011 on monetary policy instruments and procedures of the Eurosystem (OJ L 331, 14.12.2011, p. 1).

([2]) Decision ECB/2013/6 of 20 March 2013 on the rules concerning the use as collateral for Eurosystem monetary policy operations of own-use uncovered government-guaranteed bank bonds (OJ L 95, 5.4.2013, p. 22).

([3]) Decision ECB/2013/35 of 26 September 2013 on additional measures relating to Eurosystem refinancing operations and eligibility of collateral (OJ L 301, 12.11.2013, p. 6).

should be removed from 26 May 2014. As such, a new mobilisation channel combining the CCBM with links between SSSs would be created, whereby any SSS/eligible link may be used by any Eurosystem counterparty to mobilise eligible assets as Eurosystem collateral. Second, triparty collateral management services, as offered by triparty agents in the market, should be supported on a cross-border basis via the CCBM from 29 September 2014,

HAS ADOPTED THIS GUIDELINE:

Article 1

Amendments to Annex I

Annex I to Guideline ECB/2011/14 is amended in accordance with the Annex to this Guideline.

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 paragraphs 3, 8, 15 and 16 of the Annex to this Guideline and apply them from 1 April 2014. They shall notify the ECB of the texts and means relating to those measures by 24 March 2014 at the latest.

3. The NCBs shall take the necessary measures to comply with paragraphs 1, 2, 4 to 7 and 10 to 13 of the Annex to this Guideline and apply them from 26 May 2014. They shall notify the ECB of the texts and means relating to those measures by 24 March 2014 at the latest.

4. The NCBs shall take the necessary measures to comply with paragraphs 9 and 14 of the Annex to this Guideline and apply them from 29 September 2014. They shall notify the ECB of the texts and means relating to those measures by 24 March 2014 at the latest.

Article 3

Addressees

This Guideline is addressed to all Eurosystem central banks.

Done at Frankfurt am Main, 12 March 2014.

The President of the ECB

Mario DRAGHI

ANNEX

Annex I to Guideline ECB/2011/14 is amended as follows:

1. in the Section 'Abbreviations', the following term is added:

   'TPA triparty agent';

2. in Section 1.5, the last sentence is replaced by the following:

   'All eligible assets may be used on a cross-border basis by means of the correspondent central banking model (CCBM) and, in the case of marketable assets, through eligible links between EEA securities settlement systems (SSSs).';

3. in Section 6.2.1.1.2, the penultimate paragraph is replaced by the following:

   'In order to be eligible, an asset-backed security must be backed by cash-flow generating assets that the Eurosystem considers to be homogeneous, i.e. that the cash-flow generating assets backing an asset- backed security belong to only one of the following asset classes: (a) residential mortgages; (b) commercial real estate mortgages; (c) loans to small- and medium-sized enterprises; (d) auto loans; (e) consumer finance loans; (f) leasing receivables; or (g) credit card receivables. Asset-backed securities shall not be eligible for Eurosystem monetary policy operations if the pool of assets underlying them is comprised of heterogeneous assets.';

4. in Section 6.2.1.3, the first sentence is replaced by the following:

   'The debt instrument must be issued in the EEA with a central bank or with a central securities depository (CSD) that has been positively assessed by the Eurosystem pursuant to the standards and assessment procedures described in the "Framework for the assessment of securities settlement systems and links to determine their eligibility for use in Eurosystem credit operations" (hereinafter the "Eurosystem User Assessment Framework") (*)(**).

   (*) The Eurosystem User Assessment Framework is published on the ECB's website at www.ecb.europa.eu/paym/coll/coll/ssslinks/html/index.en.html.

   (**) International debt securities in global bearer form issued on or after 1 January 2007, through the ICSDs Euroclear Bank (Belgium) and Clearstream Banking Luxembourg must, in order to be eligible, be issued in the form of new global notes and must be deposited with a common safekeeper which is an ICSD or, if applicable, a CSD that has been positively assessed by the Eurosystem pursuant to the standards and assessment procedures described in the Eurosystem User Assessment Framework. International debt securities in global bearer form that were issued in the form of classical global notes prior to 1 January 2007 and fungible securities issued under the same ISIN code on or after that date remain eligible until maturity. International debt securities issued in global registered form through the ICSDs Euroclear Bank (Belgium) and Clearstream Banking Luxembourg after 30 September 2010 must, in order to be eligible, be issued under the new safekeeping structure for international debt securities. International debt securities in global registered form issued before or on that date remain eligible until their maturity. International debt securities in individual note form will cease to be eligible if issued after 30 September 2010. International debt securities in individual note form issued before or on that date remain eligible until their maturity.';

5. Section 6.2.1.4 is replaced by the following:

   'The debt instrument must be transferable in book-entry form. It must be held and settled in the euro area through an account with the Eurosystem or with an SSS that has been positively assessed by the Eurosystem pursuant to the standards and assessment procedures described in the Eurosystem User Assessment Framework, so that perfection and realisation of collateral are subject to the law of a Member State.

   If the CSD where the asset is issued and the CSD where the asset is held are not identical, then the two CSDs must be connected by a link positively assessed by the Eurosystem pursuant to the standards and assessment procedures described in the Eurosystem User Assessment Framework (*).

   (*) The list of eligible links is published on the ECB's website at www.ecb.europa.eu/paym/coll/coll/ssslinks/html/index.en.html.';

6. Section 6.2.1.5 is replaced by the following:

'The debt instrument must be admitted to trading on a regulated market as defined in Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC (*), or admitted to trading on certain non-regulated markets as specified by the ECB (**). The assessment of non-regulated markets by the Eurosystem is based on three principles — safety, transparency and accessibility (***).

(*) OJ L 145, 30.4.2004, p. 1.
(**) A list of acceptable non-regulated markets is published on the ECB's website at www.ecb.europa.eu and updated at least once a year.
(***) "Safety", "transparency" and "accessibility" are defined by the Eurosystem exclusively in terms of the performance of the Eurosystem's collateral management function. The selection process is not aimed at assessing the intrinsic quality of the various markets. The principles are to be understood as follows. Safety is taken to mean certainty with regard to transactions, in particular certainty on the validity and enforceability of transactions. Transparency is taken to mean unimpeded access to information on the market's rules of procedure and operation, the financial features of the assets, the price formation mechanism, and the relevant prices and quantities (quotes, interest rates, trading volumes, outstanding amounts, etc.). Accessibility refers to the Eurosystem's ability to take part in and have access to the market; a market is accessible for collateral management purposes if its rules of procedure and operation allow the Eurosystem to obtain information and conduct transactions when needed for these purposes.';

7. in Section 6.2.3.2, Table 4 is replaced by the following:

'Eligibility criteria	Marketable assets (1)	Non-marketable assets (2)	
Type of asset	ECB debt certificates Other marketable debt instruments (3)	Credit claims	RMBDs
Credit standards	The asset must meet high credit standards. The high credit standards are assessed using ECAF rules for marketable assets (3)	The debtor/guarantor must meet high credit standards. The creditworthiness is assessed using ECAF rules for credit claims.	The asset must meet high credit standards. The high credit standards are assessed using ECAF rules for RMBDs.
Place of issue	EEA (3)	Not applicable	Not applicable
Settlement/handling procedures	Place of settlement: euro area Instruments must be centrally deposited in book-entry form with NCBs or an SSS positively assessed by the Eurosystem pursuant to the standards and assessment procedures described in the Eurosystem User Assessment Framework	Eurosystem procedures	Eurosystem procedures
Type of issuer/debtor/guarantors	NCBs Public sector Private sector International and supranational institutions	Public sector Non-financial corporations International and supranational institutions	Credit institutions

‘Eligibility criteria	Marketable assets [1]	Non-marketable assets [2]	
Place of establishment of the issuer, debtor and guarantor	Issuer [3]: EEA or non-EEA G10 countries Debtor: EEA Guarantor [3]: EEA	Euro area	Euro area
Acceptable markets	Regulated markets Non-regulated markets accepted by the ECB	Not applicable	Not applicable
Currency	Euro	Euro	Euro
Minimum size	Not applicable	Minimum size threshold at the time of submission of the credit claim — for domestic use: choice of the NCB, — for cross-border use: common threshold of EUR 500 000.	Not applicable
Governing laws	For asset-backed securities the acquisition of the underlying assets must be governed by the law of an EU Member State. The law governing underlying credit claims must be the law of an EEA country	Governing law for credit claim agreement and mobilisation: law of a Member State The total number of different laws applicable to (a) the counterparty; (b) the creditor; (c) the debtor; (d) the guarantor (if relevant); (e) the credit claim agreement; and (f) the mobilisation agreementshall not exceed two	Not applicable
Cross-border use	Yes	Yes	Yes

(1) Further details are set out in Section 6.2.1.
(2) Further details are set out in Section 6.2.2.
(3) The credit standard of non-rated marketable debt instruments issued or guaranteed by non-financial corporations is determined on the basis of the credit assessment source chosen by the relevant counterparty in accordance with the ECAF rules applicable to credit claims, as set out in Section 6.3.3. In the case of these marketable debt instruments, the following eligibility criteria for marketable assets have been amended: place of establishment of the issuer/guarantor: euro area; place of issue: euro area.’;

8. in Section 6.3.1, footnotes 67 and 69 are replaced by the following:

‘(*) The Eurosystem’s harmonised rating scale is published on the ECB’s website at www.ecb.europa.eu. A credit quality step 3 credit assessment means a minimum long-term rating of “BBB-” by Fitch or Standard & Poor’s, of “Baa3” by Moody’s, or of “BBBL” by DBRS.’

‘(**) “Triple A” means a long-term rating of “AAA” by Fitch, Standard & Poor’s or DBRS, or “Aaa” by Moody’s.’;

9. in Section 6.4.2, paragraph (k) is replaced by the following:

'The assets are subject to daily valuation. On a daily basis, NCBs (*) calculate the required value of underlying assets taking into account changes in outstanding credit volumes, the valuation principles outlined in Section 6.5 and the required valuation haircuts.

(*) When triparty services are being used, the valuation process is delegated to the TPA, based on information sent by the relevant NCB to the TPA.';

10. in Section 6.6, the second paragraph is replaced by the following:

'A mechanism has been developed by the NCBs (and by the ECB) to ensure that all eligible assets may be used on a cross-border basis. This is the CCBM, under which NCBs act as custodians ("correspondents") for each other (and for the ECB) in respect of assets accepted in their local depository, TPA or settlement system. Specific solutions can be used for non-marketable assets, i.e. credit claims and RMBDs, which cannot be transferred through an SSS (*). The CCBM may be used to collateralise all forms of Eurosystem credit operations. In addition to the CCBM, counterparties may use eligible links between SSSs for the cross-border transfer of marketable assets with their local SSS (**); counterparties may also use these eligible links between SSSs in combination with the CCBM (CCBM with links — see Section 6.6.3). Furthermore, the CCBM (including CCBM with links) is used as a basis for the cross-border use of triparty collateral management services.

(*) Details are provided in the brochure entitled "Correspondent central banking model (CCBM) procedure for Eurosystem counterparties", which is published on the ECB's website at www.ecb.europa.eu.

(**) Eligible assets may be used through an account of a central bank in an SSS located in a country other than that of the central bank in question if the Eurosystem has approved the use of such an account. Since 1999, De Nederlandsche Bank has been authorised to use its account with Euroclear Bank to settle collateral transactions in the Eurobonds issued in that ICSD. Since August 2000, the Central Bank of Ireland has been authorised to open such an account with Euroclear Bank. This account can be used for all eligible assets held in Euroclear Bank, i.e. including eligible assets transferred to Euroclear Bank through eligible links.';

11. in Section 6.6.1, the last paragraph is replaced by the following:

'The CCBM is available to counterparties (both for marketable and non- marketable assets) at least from 9 a.m. to 4 p.m. CET on each TARGET2 business day. A counterparty wishing to make use of the CCBM must advise the NCB from which it wishes to receive credit, i.e. its home NCB, before 4 p.m. CET. Furthermore, the counterparty must ensure that the collateral for securing monetary policy operations is delivered to the account of the correspondent central bank by 4.45 p.m. CET at the latest. Instructions or deliveries not respecting this deadline will only be treated on a best effort basis and may be considered for credit given on the following TARGET2 business day. When the counterparties foresee a need to use the CCBM late in the day, they should, where possible, deliver the assets in advance (i.e. pre-deposit them). In exceptional circumstances or when required for monetary policy purposes, the ECB may decide to extend the CCBM's closing time until the TARGET2 closing time, in cooperation with CSDs regarding their availability to extend their cut-off times for marketable assets.';

12. Section 6.6.2 is replaced by the following:

'In addition to the CCBM, eligible links between EEA SSSs can be used for the cross-border transfer of marketable assets.

A direct or relayed link between two SSSs allows a participant in one SSS to hold securities issued in another SSS without being a participant in that other SSS (*). Before these links can be used to transfer collateral for Eurosystem credit operations, they have to be assessed and approved by the Eurosystem pursuant to the standards and assessment procedures described in the Eurosystem User Assessment Framework (**).

From a Eurosystem perspective, the CCBM and the links between EEA SSSs fulfil the same role of allowing counterparties to use collateral on a cross-border basis, i.e. both enable counterparties to use collateral to obtain credit from their home NCB, even if this collateral was issued in an SSS of another country. The CCBM and the links between SSSs perform this function in different ways. In the CCBM, the cross-border relationship is between the NCBs. They act as custodians for one another. Using the links, the cross-border relationship is between the SSSs. They open omnibus accounts with one another. Assets deposited with a correspondent central bank can only be used to collateralise Eurosystem credit operations. Assets held through a link can be used for Eurosystem credit operations, as well as for any other purpose selected by the counterparty. When using links between SSSs, the counterparties hold the assets on their own account with their home SSS and have no need for a custodian.

(*) A link between two SSSs consists of a set of procedures and arrangements for the cross-border transfer of securities through a book-entry process. A link takes the form of an omnibus account opened by an SSS (the investor SSS) in another SSS (the issuer SSS). A direct link implies that no intermediary exists between the two SSSs. Relayed links between SSSs may also be used for the cross-border transfer of securities to the Eurosystem. A relayed link is a contractual and technical arrangement that allows two SSSs not directly connected to each other to exchange securities transactions or transfers through a third SSS acting as the intermediary.

(**) The list of eligible links is available on the ECB's website at www.ecb.europa.eu/paym/coll/coll/ssslinks/html/index.en.html.';

13. in Section 6.6, the following Section 6.6.3 is added:

'6.6.3. *CCBM with links*

It is also possible for counterparties to use direct and relayed links referred to in Section 6.6.2 in combination with the CCBM to mobilise eligible marketable assets on a cross-border basis.

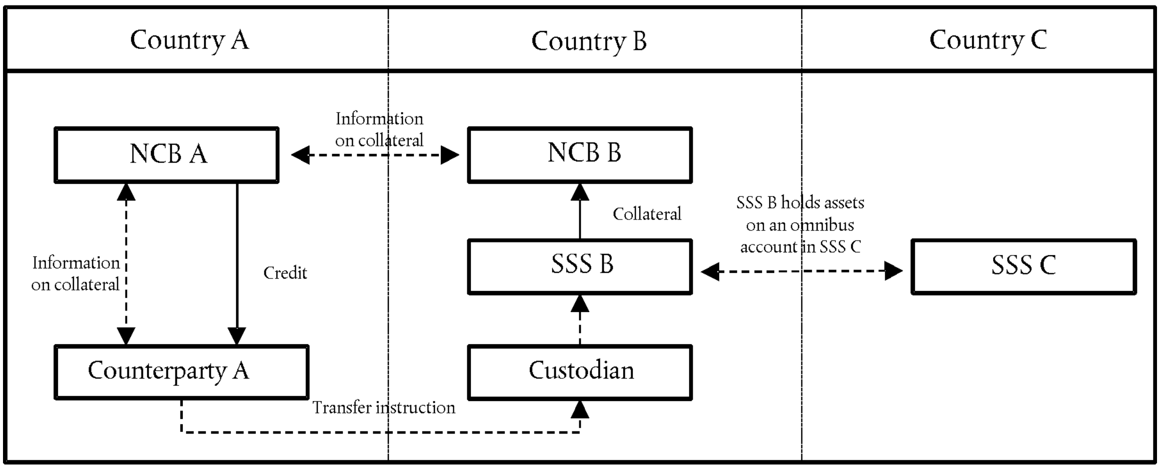
When using links between SSSs in combination with the CCBM, counterparties hold the assets issued in the issuer SSS in an account with an investor SSS directly or via a custodian. In case of relayed links, a third SSS may act as an intermediary SSS.

These assets can be issued in a non-euro area EEA CSD, provided that a link between the Issuer SSS and the Investor SSS has been positively assessed by the Eurosystem pursuant to the standards and assessment procedures described in the Eurosystem User Assessment Framework.

Chart 5

The correspondent central banking model with links

Use of eligible assets issued in the SSS of country C and held in the SSS of country B by a counterparty established in country A through a direct link between the SSSs in countries B and C in order to obtain credit from the NCB of country A



Where eligible assets are to be transferred via CCBM with links, counterparties shall ensure that the securities are delivered to an account at the relevant Investor SSS by 4 p.m. CET on the settlement date in order to ensure the settlement of the same day value operations. Any request for mobilisation received by the home NCBs from their counterparties after 4 p.m., or any request for the delivery of eligible assets to an account at the relevant Investor CSD after 4 p.m. CET is treated on a best effort basis, according to the cut-off times of the involved CSDs.';

14. in Section 6.6, the following Section 6.6.4 is added:

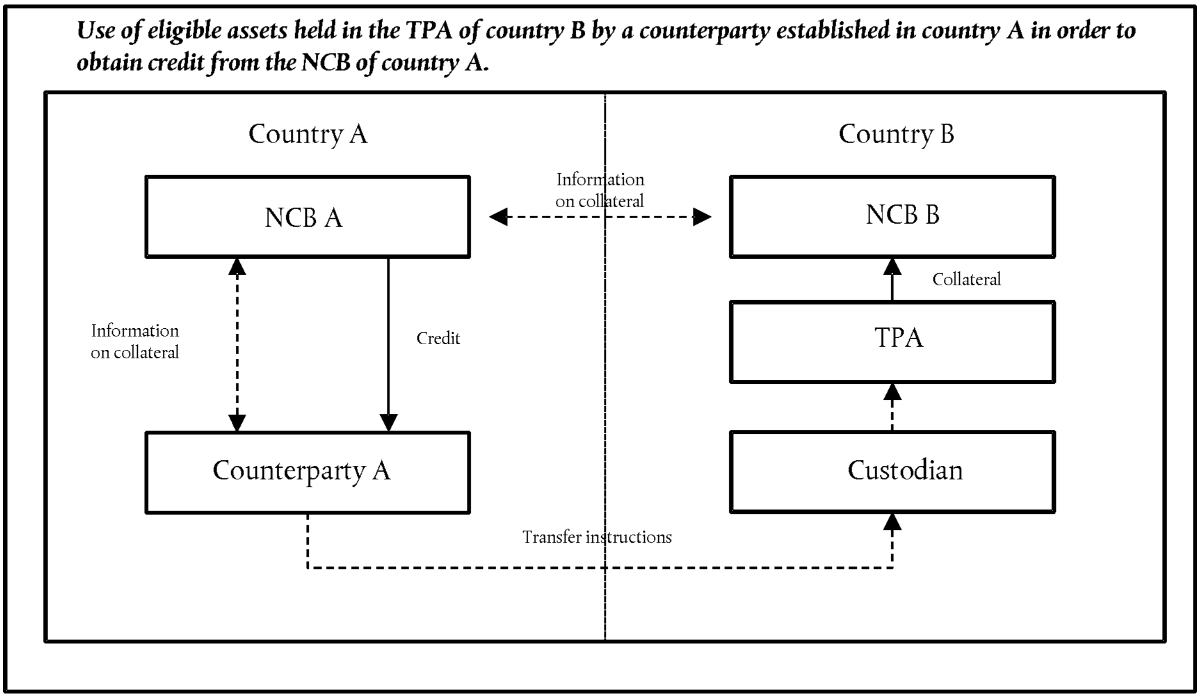
'6.6.4. *CCBM with triparty collateral management services*

The CCBM (including CCBM with links) is also used as a basis for the cross-border use of triparty collateral management services, whereby the NCB of a Member State, where triparty collateral management services are offered for cross-border Eurosystem use, will act as CCB for NCBs in other Member States whose counterparties have requested to use the respective triparty collateral management services on a cross-border basis. The relevant TPA shall be positively assessed by the Eurosystem.

Cross-border triparty collateral management services allow counterparties to increase or decrease the amount of collateral they provide to their home NCB (hereinafter referred to as the "global amount").

Chart 6

Cross-border triparty services



Note: The arrow "Information on collateral" between counterparty A and NCB A may not be relevant with certain TPAs (depending on the contractual model chosen) and in such case the counterparty does not send an instruction to NCB A or receive a confirmation from NCB A.';

15. in Appendix 8, the following paragraph is inserted as the penultimate paragraph:

'For asset-backed securities where the cash flow generating assets comprise credit card receivables, the loan-by-loan information requirements will apply from 1 April 2014 and the nine-month transition period ends on 31 December 2014.';

16. in Appendix 8, the second footnote is replaced by the following:

   ‘(*) i.e. on 30 September 2013 for RMBS and SME, 30 November 2013 for CMBS, 30 September 2014 for auto loans, consumer finance loans and leasing receivables, and 31 December 2014 for credit card receivables.’.