



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Mario DRAGHI

President

Mr Sven Giegold
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 27 June 2019

L/MD/19/234

Re: Your letter (QZ-031)

Honourable Member of the European Parliament, dear Mr Giegold,

In your letter to Mr Andrea Enria, Chair of the ECB's Supervisory Board, which was passed on by Mr Roberto Gualtieri, Chair of the Committee on Economic and Monetary Affairs, with a cover letter dated 6 May 2019, you enquired about issues beyond the scope of the ECB's supervisory tasks. Mr Enria has therefore forwarded your letter to me.

The potential impact of the UK leaving the EU on the eligibility of certain assets as collateral in Eurosystem credit operations depends on the circumstances of the UK's departure from the EU, and in particular on whether relevant transition arrangements will be put in place. The present uncertainty surrounding the final terms of the UK's departure makes it difficult to assess the precise impact on the eligibility of financial assets for use as collateral in Eurosystem credit operations. As soon as there is clarity and certainty on the Brexit scenario, the ECB will issue a public communication clarifying how collateral eligibility will be affected. ECB Banking Supervision has asked banks to prepare for all possible contingencies related to Brexit and is closely monitoring such preparations.

In its decision of 14 December 2017, the Governing Council announced new eligibility criteria for the use of unsecured bank bonds (UBBs) as collateral in Eurosystem credit operations.¹ The new criteria resulted in UBBs subject to subordination, as well as UBBs issued by credit institutions or investment firms or their

¹ See Press Release "Changes to collateral eligibility criteria for unsecured bank bonds", 14 December 2017, available on the ECB's website at <https://www.ecb.europa.eu/press/pr/date/2017/html/ecb.pr171214.en.html>.

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closely linked entities established outside the European Union (EU), becoming ineligible as collateral for Eurosystem credit operations as of 31 December 2018.

Based on the information on the ECB's website² regarding the volume of assets eligible for credit operations, the nominal value outstanding of UBBs issued by entities established in the UK (UK UBBs) eligible as Eurosystem collateral ranged from €97.5 billion in Q2 2016 to €88 billion in Q1 2019. The value of mobilised collateral of UK UBBs ranged from €4.0 billion in Q2 2016 to €2.3 billion in Q1 2019.

Yours sincerely,

[signed]

Mario Draghi

² Data on eligible marketable assets and use of collateral are published quarterly on the ECB's website on an aggregated basis broken down by asset class: <https://www.ecb.europa.eu/paym/coll/charts/html/index.en.html>.

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