

DECISION OF THE EUROPEAN CENTRAL BANK

of 5 July 2013

on temporary measures relating to the eligibility of marketable debt instruments issued or fully guaranteed by the Republic of Cyprus

(ECB/2013/22)

(2013/388/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 18 and the second indent of Article 34.1,

Having regard to Guideline ECB/2011/14 of 20 September 2011 on monetary policy instruments and procedures of the Eurosystem⁽¹⁾, and in particular Section 1.6 and Sections 6.3.1, 6.3.2 and 6.4.2 of Annex I thereof,

Having regard to Guideline ECB/2013/4 of 20 March 2013 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral and amending Guideline ECB/2007/9⁽²⁾, and in particular Article 1(3) and Articles 5 and 7 thereof,

Whereas:

- (1) Pursuant to 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 Member States whose currency is the euro (hereinafter the 'NCBs') may conduct credit operations with credit institutions and other market participants, with lending being based on adequate collateral. The standard criteria determining the eligibility of collateral for the purposes of Eurosystem monetary policy operations are laid down in Annex I to Guideline ECB/2011/14.
- (2) Pursuant to Section 1.6 of Annex I to Guideline ECB/2011/14, the Governing Council may, at any time, change the instruments, conditions, criteria and procedures for the execution of Eurosystem monetary policy operations. Pursuant to Section 6.3.1 of Annex I to Guideline ECB/2011/14, the Eurosystem reserves the right to determine whether an issue, issuer, debtor or guarantor fulfils its requirements for high standards on the basis of any information it may consider relevant.
- (3) Decision ECB/2013/13 of 2 May 2013 on temporary measures relating to the eligibility of marketable debt

instruments issued or fully guaranteed by the Republic of Cyprus⁽³⁾ temporarily suspended, as an exceptional measure, the Eurosystem's minimum requirements for credit quality thresholds applicable to marketable debt instruments issued or fully guaranteed by the Republic of Cyprus. Following the launch by the Republic of Cyprus of a debt management exercise involving its marketable debt instruments, the Governing Council decided that the adequacy as collateral for Eurosystem monetary policy operations of marketable debt instruments issued or fully guaranteed by the Republic of Cyprus was negatively affected, and decided to repeal Decision ECB/2013/13 on 28 June 2013⁽⁴⁾.

- (4) Following completion of the debt management exercise and confirmation that the Republic of Cyprus is complying with the conditionality of the economic and financial adjustment programme applicable to it, the Governing Council has further assessed that marketable debt instruments issued or fully guaranteed by the Republic of Cyprus currently have a quality standard sufficient to warrant their eligibility as collateral for Eurosystem monetary policy operations.
- (5) The Governing Council has therefore decided that the eligibility of marketable debt instruments issued or fully guaranteed by the Republic of Cyprus for Eurosystem monetary policy operations should again be restored, subject to applying specific haircuts to such instruments different from those provided for in Section 6.4.2 of Annex I to Guideline ECB/2011/14.
- (6) Under Article 7 of Guideline ECB/2013/4, the Eurosystem's credit quality threshold does not apply to marketable debt instruments issued or fully guaranteed by the central governments of euro area Member States under a European Union/International Monetary Fund programme, unless the Governing Council decides that the respective Member State does not comply with the conditionality of the financial support and/or the macro-economic programme. However, under Article 1(3) of the same Guideline, for the purposes of its Article 5(1) and Article 7, only Ireland, the Hellenic Republic and Portugal are considered euro area Member States compliant with a European Union/International Monetary Fund programme. Therefore an additional

⁽¹⁾ OJ L 331, 14.12.2011, p. 1.

⁽²⁾ OJ L 95, 5.4.2013, p. 23.

⁽³⁾ OJ L 133, 17.5.2013, p. 26.

⁽⁴⁾ Decision ECB/2013/21 of 28 June 2013 repealing Decision ECB/2013/13 on temporary measures relating to the eligibility of marketable debt instruments issued or fully guaranteed by the Republic of Cyprus (OJ L 192, 13.7.2013, p. 75).

Governing Council decision is required to waive the Eurosystem's credit quality threshold for marketable debt instruments issued or fully guaranteed by the Republic of Cyprus.

- (7) This exceptional measure will apply temporarily until the Governing Council considers that the normal application of the Eurosystem's eligibility criteria and risk control framework for monetary policy operations can be reintroduced,

HAS ADOPTED THIS DECISION:

Article 1

Suspension of certain provisions of Guideline ECB/2011/14 and eligibility of marketable debt instruments issued or fully guaranteed by the Republic of Cyprus

1. The Eurosystem's minimum requirements for credit quality, as specified in the Eurosystem credit assessment framework rules for certain marketable assets in Section 6.3.2 of Annex I to Guideline ECB/2011/14, shall be suspended for marketable debt instruments issued or fully guaranteed by the Republic of Cyprus. Hence, for the purposes of Article 5(1) and

Article 7 of Guideline ECB/2013/4, the Republic of Cyprus shall be considered a euro area Member State compliant with a European Union/International Monetary Fund programme.

2. Marketable debt instruments issued or fully guaranteed by the Republic of Cyprus shall be subject to the specific haircuts set out in the Annex to this Decision.

3. In the event of any discrepancy between this Decision, Guideline ECB/2011/14 and Guideline ECB/2013/4, in each case as implemented at national level by the NCBs, this Decision shall prevail.

Article 2

Entry into force

This Decision shall enter into force on 5 July 2013.

Done at Frankfurt am Main, 5 July 2013.

The President of the ECB
Mario DRAGHI

ANNEX

Haircut schedule applying to marketable debt instruments issued or fully guaranteed by the Republic of Cyprus

	Maturity bucket	Haircuts for fixed coupons and floaters	Haircuts for zero coupon
	Government bonds	0-1	14,5
1-3		27,5	29,5
3-5		37,5	40,0
5-7		41,0	45,0
7-10		47,5	52,5
> 10		57,0	71,0
		Maturity bucket	Haircuts for fixed coupons and floaters
	Government guaranteed bank bonds and government-guaranteed non-financial corporate bonds	0-1	23,0
1-3		37,0	39,0
3-5		47,5	50,5
5-7		51,5	55,5
7-10		58,0	63,0
> 10		68,0	81,5