



EUROPEAN CENTRAL BANK

EUROSYSTEM

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ECB-PUBLIC

OPINION OF THE EUROPEAN CENTRAL BANK

of 16 March 2016

on financial instruments eligible for monetary policy operations

(CON/2016/12)

Introduction and legal basis

On 3 February 2016 the European Central Bank (ECB) received a request from Banca Națională a României (BNR) for an opinion on a draft regulation on assets eligible for open market operations of BNR and on standing facilities granted by BNR (hereinafter, the 'draft regulation').

The ECB's competence to deliver an opinion is based on Articles 127(4) and 282(5) of the Treaty on the Functioning of the European Union and Article 2(2) of Council Decision 98/415/EC¹, as the draft regulation relates to instruments of monetary policy in a Member State whose currency is not the euro. In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion.

1. Purpose of the draft regulation

- 1.1 The draft regulation recasts the national legal framework governing assets eligible for monetary policy operations conducted by BNR². Its purpose is to establish transparent criteria for the acceptance of financial instruments as collateral in BNR's open market operations, and for being granted standing facilities with BNR.
- 1.2 The draft regulation sets out, in particular:
 - (i) principles to be followed in conducting the eligibility assessment and the valuation, in applying risk control measures and in the management of financial instruments³;
 - (ii) general eligibility criteria for the acceptance of financial instruments for trading and as collateral in BNR's open market operations, and for being granted standing facilities with BNR, which take into account: (a) the type of issuer; (b) the type of asset; (c) the rating of an issuer and/or issue of financial instruments; and (d) the registration and settlement procedure⁴;

¹ Council Decision 98/415/EC of 29 June 1998 on the consultation of the European Central Bank by national authorities regarding draft legislative provisions (OJ L 189, 3.7.1998, p. 42).

² See Chapter II of Regulation No 1/2000 of Banca Națională a României of 30 March 2000 regarding open market operations conducted by Banca Națională a României and standing facilities granted by it to eligible participants (republished in *Monitorul Oficial al României*, Part I, No 84 of 1 February 2008), which will be repealed once the draft regulation enters into force.

³ See Article 2 of the draft regulation.

⁴ See Article 3 of the draft regulation.

- (iii) general legal requirements for the eligibility of financial instruments⁵;
- (iv) specific eligibility criteria for different types of debt instrument such as: government bonds, debt certificates issued by BNR, bonds issued by certain international financial institutions, bonds issued by regional or local public authorities, and mortgage bonds⁶;
- (v) rules on the use and allocation of eligible assets in BNR's operations⁷;
- (vi) risk-control measures to be applied by BNR in relation to eligible assets, including valuation haircuts, variation margins, margin calls, and setting limits on the volume of assets with a high liquidity risk⁸; and
- (vii) a valuation methodology for financial instruments⁹.

2. General observations

- 2.1 The ECB has no comments on the draft regulation.
- 2.2 As a Member State whose currency is not the euro Romania and, in turn, BNR retain their powers in the field of monetary policy according to national law¹⁰ until such time as the relevant derogation is lifted and Romania adopts the euro.

This opinion will be published on the ECB's website.

Done at Frankfurt am Main, 16 March 2016.

[signed]

The President of the ECB

Mario DRAGHI

5 See Article 12 of the draft regulation.

6 See Articles 7 to 11 of the draft regulation.

7 See Chapter IV of the draft regulation.

8 See Article 17 of the draft regulation.

9 See Chapter VI of the draft regulation.

10 Article 282(4) of the Treaty and Article 42.2 of the Statute of the European System of Central Banks and of the European Central Bank.