

GUIDELINES

GUIDELINE OF THE EUROPEAN CENTRAL BANK

of 4 March 2010

amending Guideline ECB/2000/7 on monetary policy instruments and procedures of the Eurosystem

(ECB/2010/1)

(2010/154/EU)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

aim to make a further contribution to restoring the proper functioning of the asset-backed securities market.

Having regard to the Treaty on the Functioning of the European Union, and in particular to the first indent of Article 127(2) thereof,

- (3) In order to implement the decision of the Governing Council of the ECB of 22 October 2009, it is necessary to amend Guideline ECB/2000/7 of 31 August 2000 on monetary policy instruments and procedures of the Eurosystem⁽¹⁾,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank (hereinafter the 'Statute of the ESCB'), and in particular Article 12.1 and Article 14.3, in conjunction with the first indent of Article 3.1, Article 18.2 and the first paragraph of Article 20 thereof,

HAS ADOPTED THIS GUIDELINE:

Article 1

Amendments to Annex I to Guideline ECB/2000/7

Whereas:

In Section 6.3.2, the following indent is inserted after the first indent on 'ECAI credit assessment':

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

- (2) Recent developments in the markets for asset-backed securities made it necessary to amend the Eurosystem credit assessment framework (ECAI) to ensure that the Eurosystem's requirement for high credit standards for all eligible collateral is met. In particular, it is necessary to amend the rating requirements for asset-backed securities to be eligible for use in Eurosystem credit operations in order to comply with the requirement of Article 18.1 of the Statute of the ESCB that credit operations with credit institutions and other market participants are based on adequate collateral from a Eurosystem monetary policy perspective. In addition to the above, the amendments

— *ECAI credit assessment of asset-backed securities*: For asset-backed securities issued on or after 1 March 2010, the Eurosystem requires at least two credit assessments from any accepted ECAs for the issue. To determine the eligibility of these asset-backed securities, the "second-best rule" shall be applied, which means that not only the best, but also the second-best available ECAI credit assessment must comply with the credit quality threshold for asset-backed securities. Based on this rule, the Eurosystem requires for both credit assessments an "AAA"/"Aaa" level at issuance and a "single A" level over the life of the security in order for the securities to be eligible.

From 1 March 2011 all asset-backed securities, regardless of their date of issuance, shall have at least two credit assessments from any accepted ECAs for the issue, and the second-best rule shall be met in order for the securities to remain eligible.

⁽¹⁾ OJ L 310, 11.12.2000, p. 1.

In case of asset-backed securities issued before 1 March 2010 that have only one credit assessment, a second credit assessment shall be additionally obtained before 1 March 2011. For asset-backed securities issued before 1 March 2009 both credit assessments must comply with the “single A” level over the life of the security. For asset-backed securities issued between 1 March 2009 and 28 February 2010, the first credit assessment must comply with the “AAA”/“Aaa” level at issuance and the “single A” over the life of the security, while the second credit assessment must comply with the “single A” level both at issuance (*) and over the life of the security.

The ECB publishes the credit quality threshold for any accepted ECAIs, as established under Section 6.3.1 (**).

(*) In respect of the required second ECAI rating for those ABS “credit assessment at issuance” refers to the credit assessment when first issued or published by the ECAI.

(**) This information is published on the ECB’s website (www.ecb.europa.eu).

Article 2

Entry into force

This Guideline shall enter into force on 1 March 2010.

Article 3

Addressees

1. This Guideline is addressed to the NCBs of the participating Member States.

2. The NCBs referred to in paragraph 1 shall, by 11 March 2010, send to the ECB the measures by which they intend to comply with this Guideline.

Done at Frankfurt am Main, 4 March 2010.

For the Governing Council of the ECB

The President of the ECB

Jean-Claude TRICHET
