

Eurosystem repo facility for central banks (EUREP) - FAQ

What is the purpose of EUREP?

EUREP is part of the ECB's response measures to the COVID-19 crisis. It aims to safeguard the smooth transmission of monetary policy in the euro area. By providing euro liquidity to a broad set of non-euro area central banks in crisis times, EUREP reduces risks related to sell-off episodes of euro-denominated assets and spill-overs of market dysfunctions from other economies to the euro area, including through global confidence effects. EUREP is a backstop facility, which means that its pricing is chosen in a way that makes it attractive only under adverse market conditions.

Which central banks can ask for a EUREP line?

Non-euro area central banks can request a repo line under EUREP. Access to EUREP repo lines is subject to Governing Council approval.

How does EUREP fit into the existing framework of swap and repo lines offered by the ECB?

EUREP is a precautionary backstop facility that is part of the ECB's crisis response measures to address the adverse impact of the COVID-19 pandemic.

EUREP complements the bilateral swap and repo lines arranged by the ECB with non-euro area central banks.

The ECB has standing swap line agreements with major central banks whose currencies play a significant role in global financial markets, including the Bank of Canada, Bank of England, the Bank of Japan, the Federal Reserve and the Swiss National Bank. In addition, the ECB has swap line agreements, for example, with the central banks of China and Denmark. Under a swap line, the ECB exchanges euro against another currency.

The ECB also grants bilateral repo lines where it provides euro liquidity to a non-euro area central bank in exchange for euro-denominated collateral.

While EUREP is accessible to a broad range of non-euro area central banks, the pricing of EUREP is slightly more expensive than under a bilateral repo or swap line and the range of collateral is narrower than under a bilateral repo line.

All requests for euro liquidity lines by non-euro area central banks are thoroughly assessed by the Governing Council, which decides on the most suitable instrument to provide euro liquidity, if warranted, on a case-by-case basis.

How are EUREP liquidity lines implemented?

EUREP repo lines are implemented under a harmonised Eurosystem framework. Non-euro area central banks can borrow euro liquidity against adequate collateral, consisting of euro-denominated marketable debt securities issued by euro area central governments and supranational institutions. EUREP will be available until the end of June 2021.

Who benefits from these arrangements?

The provision of euro liquidity to non-euro area central banks aims at alleviating euro liquidity needs in the respective countries in a stressed market environment. The potential beneficiaries are banks that need euro funding and are not able to obtain such funding in the market or get it only at prohibitive prices. Overall, these arrangements aim to facilitate a smooth transmission of monetary policy in the euro area to the benefit of all euro area citizens.