



EUROPEAN CENTRAL BANK

EUROSYSTEM

Mario DRAGHI

President

Mr Jonás Fernández

Member of the European Parliament

European Parliament

60, rue Wiertz

B-1047 Brussels

Frankfurt, 13 April 2015

L/MD/15/228

Re: Your letters (QZ-31 & QZ-32)

Honourable Member of the European Parliament, dear Mr Fernández

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 16 February 2015.

Article 18.1 of the Statute of the European System of Central Banks and of the European Central Bank authorises the ECB and the national central banks of Member States whose currency is the euro to 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 Eurosystem monetary policy operations are laid down in Annex I to Guideline ECB/2011/14. The application of such criteria aims to safeguard the smooth conduct of the Eurosystem's monetary policy operations, to ensure the equal treatment of counterparties and to enhance operational efficiency and transparency, thereby enabling the Eurosystem to achieve its objectives. In determining compliance with the standard eligibility criteria, the Eurosystem relies, *inter alia*, on the credit assessments (ratings) provided by the four accepted external credit assessment institutions – ECAs (rating agencies).¹

As an exceptional and temporary measure, the Governing Council has decided that some of the standard criteria determining the eligibility of collateral for the purposes of Eurosystem monetary policy operations – more specifically those regarding the credit quality thresholds applicable to marketable debt instruments –

¹ All marketable assets shall have a credit assessment provided by at least one accepted ECAI, expressed in the form of a public credit rating, in compliance with, as a minimum, credit quality step 3 in the Eurosystem's harmonised rating scale, defined as a minimum long-term rating of 'BBB-' by Fitch or Standard & Poor's, of 'Baa3' by Moody's, or of 'BBB-' by DBRS.

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shall not apply to assets issued or fully guaranteed by the central governments of euro area Member States under a European Union/International Monetary Fund programme. According to Article 8(2) of Guideline ECB/2014/31, this suspension is granted provided that the respective Member State complies with the conditionality of the financial support and/or the macroeconomic programme, in other words, that the programme is “on track”. The rationale for this rule is that the full implementation of a programme designed and monitored by the European Commission, in liaison with the ECB, and the IMF, creates the prospect that government-related assets will regain the quality standard required for their eligibility as collateral assets for Eurosystem monetary policy operations.

The suspension of the Eurosystem's minimum requirements for credit quality thresholds applicable to marketable debt instruments issued or fully guaranteed by the Hellenic Republic, initially decided by the Governing Council on 6 May 2010, was an exceptional and temporary measure which was based on the positive assessment by the Governing Council of compliance with an EU/IMF programme. At the time, the Governing Council took into consideration the fact that the Hellenic Republic had entered into a programme and that its government was strongly committed to fully implementing that programme.

On 4 February 2015, the Governing Council assessed that it was not possible to assume a successful conclusion of the review of the European Union/International Monetary Fund programme for Greece. Consequently, the conditions for the temporary suspension of the Eurosystem' s standard eligibility criteria in respect of Greek government related assets, as set out in the ESCB Statute and the Eurosystem' s legal framework, were no longer fulfilled.

Yours sincerely,

[signed]

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