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Soizic Weber, Tomás Carrera de Souza,
Koen Oosterhek (editors)

## The use of the Eurosystem's monetary policy instruments and its monetary policy implementation framework in 2024 and 2025

No 398

# Contents

# Abstract

The Eurosystem implements its monetary policy through a set of monetary policy instruments (MPIs). This report reviews the main changes in the use of MPIs and the associated developments in the Eurosystem's monetary policy implementation framework over 2024-25. Inflation returned to the ECB's medium-term target of 2%, supported by the smooth transmission of monetary policy. After completing the hiking cycle of 2022 and 2023, the ECB began reducing its key interest rates in June 2024. This easing phase occurred alongside further balance sheet normalisation. Holdings in the monetary policy bond portfolios continued to run-off, and funds lent under the third series of targeted longer-term refinancing operations (TLTRO III) were fully repaid by December 2024. In March 2024, the ECB announced several changes to its operational framework for implementing monetary policy following a review process. Finally, the collateral framework remained broad, while temporary crisis-related measures were phased out and climate-related considerations were further integrated.

JEL: D02, E43, E58, E65, G01

Keywords: monetary policy implementation, refinancing operations, asset purchase programmes, central bank counterparty framework, central bank collateral framework, central bank liquidity management, non-standard monetary policy measures, climate

# Non-technical summary

This paper reviews the use of the Eurosystem's MPIs over 2024-25 and continues the series launched in 2012. The period under review was characterised by the gradual return of inflation towards the ECB's 2% medium-term target, the initiation of a rate-cutting cycle and a continued decline in excess liquidity. At the same time, the ECB concluded its review of the operational framework for implementing monetary policy. The report focuses on four main themes.

First, the ECB conducted a formal review of its operational framework. This review took place in the context of the significant evolution of MPIs in response to economic and financial developments since the global financial crisis. On 13 March 2024, the Governing Council announced the outcome of this review and confirmed that the monetary policy stance would be steered through the deposit facility rate (DFR). Central bank liquidity would be supplied through a broad mix of instruments, with the marginal liquidity being provided by standard refinancing operations (SROs), which include the main refinancing operations (MROs) and the three-month liquidity-providing operations (LTROs), conducted as fixed-rate tenders with full allotment. The spread between the MRO rate and the DFR was reduced to 15 basis points. Chapter 2 discusses the motivation for the framework, its design and the initial implementation experience.

Second, the ECB decided to start reducing the key ECB interest rates, initiating a new easing cycle. The DFR was lowered by 25 basis points on eight occasions between June 2024 and June 2025, resulting in a cumulative reduction of 200 basis points compared with the peak reached in the preceding tightening cycle. By June 2025, the DFR stood at 2% and remained at this level until the end of the period covered in this paper.[1] Chapter 3 examines the transmission of these rate cuts to money markets. Unsecured overnight rates adjusted almost one-for-one with the DFR, while secured money market rates also moved broadly in line with policy decisions, reflecting improved repo market functioning amid receding collateral scarcity.

Third, the size of the Eurosystem balance sheet continued to decline. Reinvestments under the pandemic emergency purchase programme (PEPP) ended in December 2024, when all outstanding TLTRO III operations were also fully repaid. Excess liquidity declined further, while remaining at high levels, reaching €2.5 trillion by end-2025. From 2025 onwards, the pace of balance sheet reduction was mainly determined by maturing assets under the asset purchase programmes (APPs) and PEPPs. Market conditions remained orderly. In addition, banks' recourse to SROs increased only moderately. Finally, the tilting of corporate bond purchases and the setting of interim targets for

1 The Eurosystem raised key interest rates by 25 basis points in June 2026.

corporate portfolios under APPs and PEPPs were implemented to reduce their carbon intensity. Chapter 4 analyses these developments.

Fourth, the collateral framework was further harmonised and strengthened (Chapter 5), while developments in the counterparty framework and minimum reserve requirements are discussed in Chapter 6. Most temporary crisis-related collateral measures were phased out, selected elements were integrated into the general framework and the introduction of a second-best rating aggregation rule was announced for certain asset classes, with implementation currently ongoing. Furthermore, a new credit rating agency, Scope Ratings, was incorporated into the Eurosystem framework in 2024, following its acceptance in November 2023. A new haircut schedule is expected to enter into force no earlier than November 2026, allowing time for technical implementation following a risk control framework review completed in November 2025. A climate factor was adopted to mitigate risks associated with adverse climate transition scenarios. In June 2025, the ECB launched the Eurosystem Collateral Management System (ECMS), establishing a unified system for collateral management.

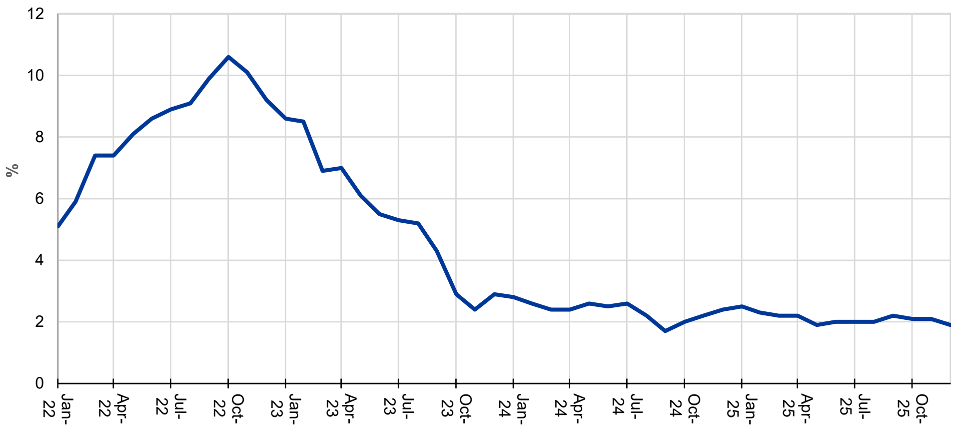
Overall, monetary policy implementation remained smooth. Policy rate changes passed through effectively to money market rates, and excess liquidity declined while remaining sizeable. Whereas the previous report covered a period of tightening and balance sheet normalisation, 2024-25 was marked by a reduction in policy restrictiveness alongside continued balance sheet contraction.

# 1 Introduction to the Eurosystem's MPIs in 2024 and 2025

**This report examines the implementation of the Eurosystem's MPIs in 2024-25, a period characterised by inflation returning to the ECB's 2% medium-term target, the initiation of a rate-cutting cycle and continued balance sheet normalisation.** During this period, excess liquidity decreased further, from €3.4 trillion to €2.5 trillion, reflecting the phase-out of PEPP reinvestments and the full repayment of TLTRO III. While the previous report in this series focused on the tightening phase following the surge in inflation, this report analyses the period during which inflation returned towards the 2% target (Chart 1) alongside a reduction in policy restrictiveness and declining excess liquidity.

**Chart 1**
Harmonised Index of Consumer Prices (HICP), euro area.

(year-on-year percentage change)




Source: ECB.

The report focuses on four key themes shaping monetary policy implementation during the period under review.

- **First, the Governing Council concluded the operational framework review (OFR) announced in December 2022.**[2] In March 2024, it confirmed that the monetary policy stance would continue to be steered through the DFR, that liquidity would be provided through a broad mix of instruments and that SROs would play a central role in meeting banks' liquidity needs. The spread between the MRO rate and the DFR was reduced from 50 to 15 basis points. Chapter 2 sets out the principles, design features and initial experience with the revised framework.

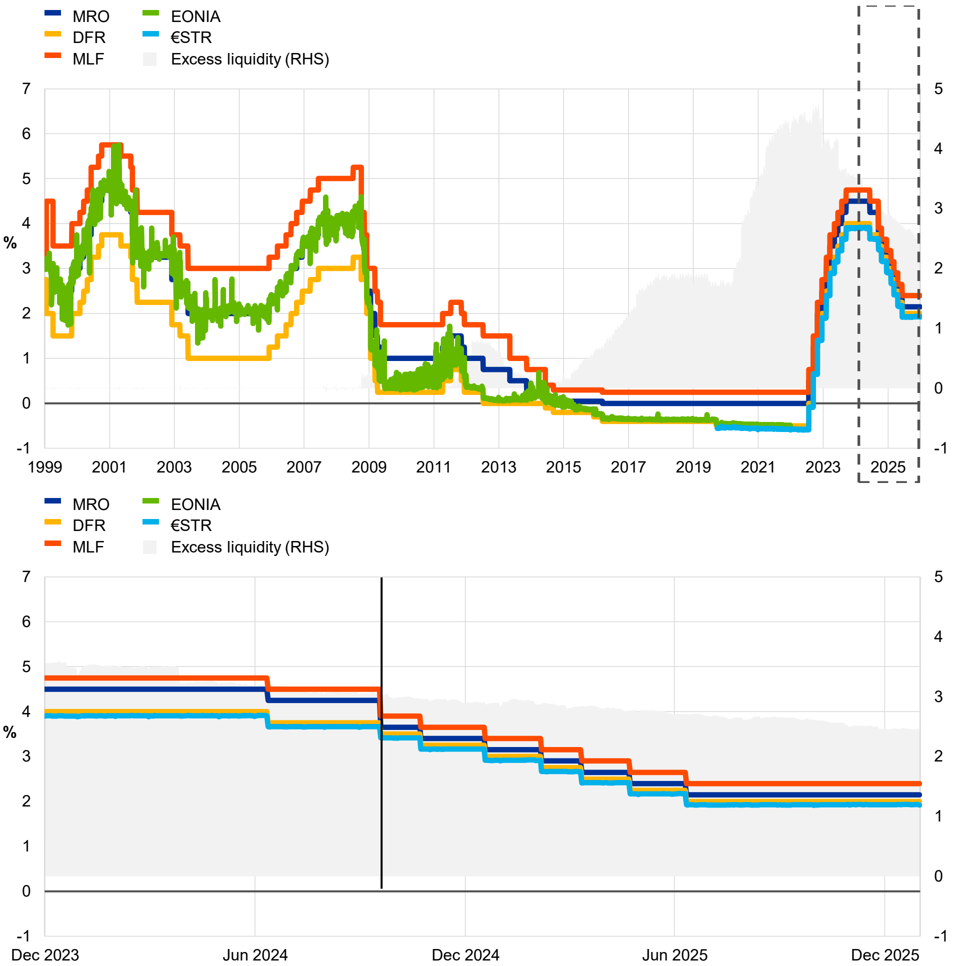
2 See ECB (2022), "Monetary policy decisions", *press release*, 15 December.

- **Second, the ECB initiated a rate-cutting cycle in June 2024.** The DFR was reduced by a cumulative 200 basis points through June 2025 (Chart 2). In parallel, the technical narrowing of the MRO-DFR spread in September 2024 lowered the MRO and marginal lending facility (MLF) rates by a further 35 basis points (Table 1). Chapter 3 analyses the transmission of these rate cuts to money markets.

**Chart 2**

Developments in excess liquidity, key ECB interest rates and unsecured overnight euro area money market rates

(left-hand scale: percentages, right-hand scale: EUR trillions)




Source: ECB.
Notes: Excess liquidity is the central bank reserves in the banking system that are left over once credit institutions have met their minimum reserve requirements (MRRs). More specifically, it is the sum of banks' holdings in their current accounts and the deposit facility at the central bank, minus their MRRs. The DFR is the deposit facility rate. The MRO is the main refinancing operations rate. The MLF is the marginal lending facility rate. The black line in the lower graph indicates the technical implementation of the spread reduction between the MRO and DFR from 50 to 15 basis points.

- **Third, the Eurosystem balance sheet continued to decline.** Reinvestments under the PEPP ended in December 2024 and all outstanding TLTRO III operations matured by year-end. Excess liquidity fell substantially from its 2022 peak, while recourse to SROs increased only moderately. Chapter 4 examines the evolution of purchase programmes, credit operations and the evolution of market conditions.

- **Fourth, the Governing Council adopted measures to further harmonise and strengthen the collateral framework.** Most temporary crisis-related collateral measures were phased out, selected elements were integrated into the general framework and additional risk control measures were introduced (e.g. a new tool to address climate-related transition uncertainties, second-best rating aggregation rules for certain asset classes and the gradual implementation of Scope Ratings to assess the credit quality of assets used as collateral). In June 2025, the ECMS went live. Chapter 5 discusses these developments, while Chapter 6 reviews changes in the counterparty framework and MRRs.

**Table 1**

Overview of monetary policy measures in 2024 and 2025

| | |
|---|---|
| December 2023 | Amendment to reinvestments under the PEPP:<br>H1 2024: full reinvestments under the PEPP<br>H2 2024: reduction of PEPP portfolio by €7.5 billion per month on average<br>Intention to discontinue reinvestments under the PEPP at the end of 2024. |
| March 2024 | The Governing Council decides on changes to the operational framework for implementing monetary policy and continues to steer monetary policy stance through the DFR. |
| June 2024 | First of successive rate decreases: the three key ECB interest rates are lowered by 25 basis points (DFR to 3.75%, MRO rate to 4.25%, MLF rate to 4.50%)<br>The Governing Council announces the setting of Interim targets to monitor emission reduction trajectory of corporate asset portfolios supporting the goals of the Paris Agreement. |
| September 2024 | ECB interest rates lowered by 25 basis points and spread between the rate on MRO and DFR reduced to 15 basis points following the OFR (DFR to 3.50%, MRO rate to 3.65%, MLF rate to 3.90%). |
| October 2024 | DFR to 3.25%, MRO rate to 3.40%, MLF rate to 3.65%<br>The Governing Council announces intention to discontinue reinvestments under the PEPP at the end of 2024. |
| November 2024 | The Governing Council decides on several measures to enhance the harmonisation, flexibility and risk efficiency of the collateral framework. |
| December 2024 | DFR to 3.00%, MRO rate to 3.15%, MLF rate to 3.40%<br>The Governing Council announces again that the Eurosystem will discontinue reinvestments under the PEPP at the end of 2024. |
| February 2025 | DFR to 2.75%, MRO rate to 2.90%, MLF rate to 3.15%<br>The Governing Council agrees to adopt a second-best rating aggregation rule for private sector assets and non-euro area public sector assets. |
| March 2025 | DFR to 2.50%, MRO rate to 2.65%, MLF rate to 2.90% |
| April 2025 | DFR to 2.25%, MRO rate to 2.40%, MLF rate to 2.65% |
| June 2025 | DFR to 2.00%, MRO rate to 2.15%, MLF rate to 2.40% |
| July 2025 | The Governing Council decides to introduce a new measure within the collateral framework to better manage financial risks related to the climate crisis. |

Source: ECB.
Notes: APP = asset purchase programmes; PEPP = pandemic emergency purchase programme; TLTRO = targeted longer-term refinancing operations; PELTRO = pandemic emergency longer-term refinancing operations; DFR = deposit facility rate; MRO = main refinancing operations; MLF = marginal lending facility.

**Overall, the Eurosystem balance sheet continued to decline in 2024-25 following the exceptional expansion observed during 2020-22 (Chart 3).** Monetary policy assets, including securities held for monetary policy purposes and lending to euro area credit institutions as part of the Eurosystem monetary policy operations (MPOs), amounted to €3.8 trillion in the fourth quarter of

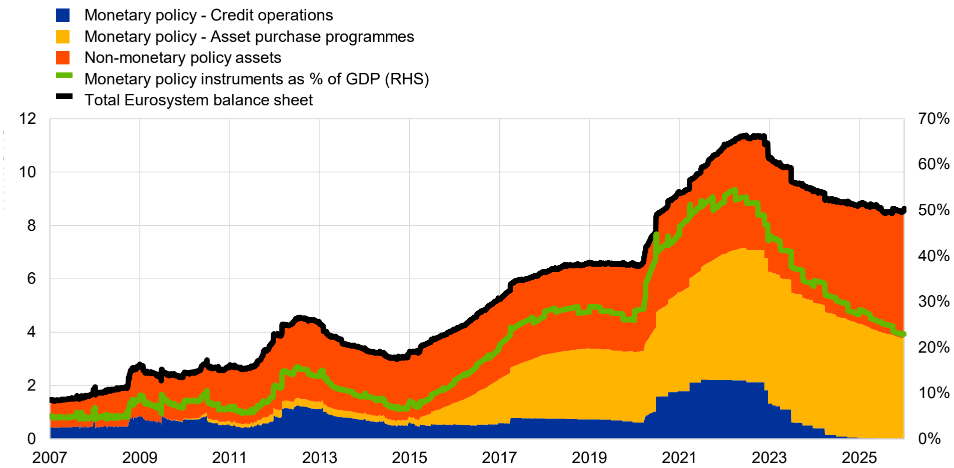
2025, down from €5.1 trillion in the fourth quarter of 2023. The share of monetary policy assets in the Eurosystem balance sheet decreased from 74% to 60% between the fourth quarter of 2023 and the fourth quarter of 2025. On the liabilities side, the share of central bank reserves decreased from 51% to 41% over the same period (Table 2). This process of quantitative normalisation proceeded in an orderly manner, supported by the continuous availability of excess liquidity in the system.

**Chart 3**

Development of the Eurosystem balance sheet

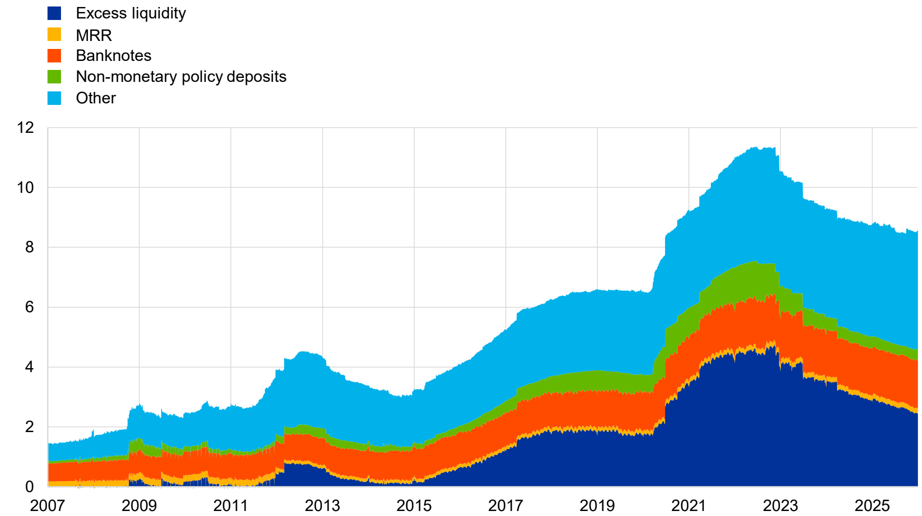
**a) Eurosystem assets: how liquidity is provided**

(EUR trillions)




**b) Eurosystem liabilities: how liquidity is absorbed**

(EUR trillions)




Source: ECB
Notes: Credit operations include MROs, LTROs, TLTROs and MLFs. Asset purchase programmes include Covered Bond Purchase Programmes 1 and 2, the Securities Markets Programme (SMP) and APP and PEPP operations. The MPIs thus include credit operations and outright purchases.

**Table 2**
Stylised composition of the accounting Eurosystem balance sheet as at end-2021, end-2023 and end-2025

(percentages)

| Assets | Q4-21 | Q4-23 | Q4-25 | Peak Eurosystem balance sheet (Q2-2022) | Liabilities | Q4-21 | Q4-23 | Q4-25 | Peak Eurosystem balance sheet (Q2-2022) |
|---|---|---|---|---|---|---|---|---|---|
| **Securities held for monetary policy purposes** | 55% | 68% | 59% | 56% | **Banknotes** | 18% | 23% | 26% | 18% |
| **Lending to euro area credit institutions (a)** | 26% | 6% | 1% | 25% | **Central bank reserves (c)** | 50% | 51% | 41% | 52% |
| **on-monetary policy assets (b)** | 19% | 27% | 40% | 19% | **Non-monetary policy liabilities** | | | | |
| | | | | | Non-monetary policy deposits | 17% | 8% | 6% | 15% |
| | | | | | Capital & reserves and other | 15% | 18% | 27% | 15% |

Source: ECB.
Notes: (a) includes refinancing operations and the MLF; (b) includes forex, gold, euro-denominated own fund portfolios, emergency liquidity assistance and other; and (c) includes current account, including required reserves and DF. The figure shows the magnitude of the different balance sheet items as a percentage of the Eurosystem's total assets and liabilities (excluding intra-Eurosystem claims/liabilities).

# 2 The 2024 operational framework review

In March 2024, the Governing Council announced the results of its review of the operational framework to implement monetary policy that started in December 2022.[3] This chapter describes the motivation and main features of this review. Section 2.1 sets out the background for the OFR, while sections 2.2 and 2.3 recite the announced key principles and parameters for implementing monetary policy and providing central bank liquidity.

## 2.1 The review of the Eurosystem operational framework

**The operational framework is the set of instruments and procedures used by a central bank to implement its monetary policy stance.[4]** It comprises the tools through which central bank reserves are provided and priced, including the design of standing facilities and open market operations. Central banks across jurisdictions employ different operational frameworks; the appropriate configuration depends on policy objectives and on the structural characteristics of the financial system and the broader economy. In the case of the Eurosystem, the operational framework encompasses the instruments and procedures through which short-term money market rates are steered and liquidity is supplied to the banking system, thereby implementing the monetary policy stance decided by the Governing Council.

**Before the global financial crisis, the Eurosystem operated a corridor system with scarce reserves.** Liquidity was provided primarily through MROs with a fixed allotment, calibrated to meet the aggregate liquidity needs of the banking system arising from MRRs and autonomous factors. MROs were conducted as variable rate tenders, with the MRO rate acting as the minimum bid rate. Under these prevailing conditions, overnight rates traded within the corridor formed by the MLF rate and the DFR. As holding excess reserves above MRRs entailed an opportunity cost, the interbank money market actively redistributed liquidity from banks with reserve surpluses to banks with reserve shortfalls.

**Following the onset of the global financial crisis, the ECB's operational framework evolved, reflecting a transition away from a scarce reserves environment.** Due to frictions in the interbank market in October 2008, it moved to fixed-rate tenders with full allotment (FRFA), thereby accommodating demand from banks for liquidity against eligible collateral. Over time, longer-term refinancing operations were expanded and complemented by TLTROs, while large-scale APPs were introduced from 2014 onwards. These measures

[3] ECB (2022), "Combined monetary policy decisions and statement", *press release*, 15 December.

[4] Cavallino, Drehmann, Finlay and Remache (2025).

led to a sustained increase in reserves, marking a shift away from the pre-crisis system.

**As large-scale asset purchases and longer-term refinancing operations expanded the Eurosystem balance sheet, aggregate excess reserves increased substantially.** In this environment, short-term money market rates converged towards the rate at which the Eurosystem remunerates overnight deposits: the DFR. The Eurosystem thus effectively operated a floor system underpinned by abundant excess reserves, with limited incentives for banks to actively trade reserves in the interbank market. Measures introduced in response to the COVID-19 pandemic further increased excess liquidity and exacerbated these dynamics.

**Since its peak in 2022, the size of the Eurosystem balance sheet has been normalised in a largely gradual and passive manner.** Redemptions from maturing bonds are no longer reinvested and TLTROs have matured, leading to a steady decline in excess liquidity. As excess reserves recede from previously high levels, the configuration of the operational framework has become increasingly relevant for the effective transmission of monetary policy to financial markets. At the same time, the liquidity needs of the banking system due to autonomous factors have grown over time. Changes in liquidity regulation, the advent of instant payments and broader digitalisation, as well as banks' evolving risk management practices and increased demand for precautionary liquidity buffers, have structurally increased demand for reserves compared with the pre-2008 period.

**Against this background, between December 2022 and March 2024, the Governing Council took stock of the experience gained in implementing monetary policy under different liquidity conditions and examined options to safeguard the smooth transmission and implementation of monetary policy.** On 13 March 2024, the Eurosystem concluded its review and the Governing Council decided on a set of changes to the operational framework for implementing monetary policy.

## 2.2 Principles guiding the ECB operational framework

**The configuration of rates and instruments and their design – part of the operational framework – reflects guiding principles agreed upon by the Governing Council for implementing monetary policy in the euro area.** These principles build on past experience, take into account the structural features of the euro area financial system and provide a benchmark for assessing the revised framework.

The principles can be stated as follows.[5] The framework must ensure effective control over short-term money market rates, while tolerating limited volatility, if the signal of the monetary policy stance remains clear (effectiveness). It should supply liquidity flexibly, so that shocks can be absorbed smoothly across the banking system and remain robust across different environments, including periods with key rates close to the effective lower bound (flexibility and robustness). Monetary policy implementation must be consistent with the principle of an open market economy, support efficient price discovery and resource allocation, respect the principle that a level of government must not take any action that exceeds that necessary to carry out its assigned tasks and preserve the Eurosystem's financial soundness (support for an open market economy and efficiency). Where different configurations are equally effective, the framework should also facilitate the pursuit of the ECB's secondary objective, without affecting price stability.

## 2.3 Design features

**Under the revised framework, SROs play a central role in the implementation of monetary policy.** SROs comprise one-week MROs and three-month longer-term refinancing operations (LTROs), conducted as FRFAs against broad collateral. In this configuration, the marginal unit of reserves is provided through these operations, as banks adjust their recourse according to their liquidity needs, and the aggregate quantity of reserves evolves endogenously. This mechanism, in which reserve supply responds to demand from banks, rather than being actively calibrated by the central bank, avoids the need for the Eurosystem to estimate the banking sector's preferred level of reserves on a continuous and highly precise basis.[6] It contrasts with systems in which the central bank must actively calibrate the volume of reserves, for example in the first instance through outright asset purchases or sales, in order to steer short-term rates amid an evolving demand for reserves.

**Short-term money market rates are expected to fluctuate in the vicinity of the DFR, which continues to steer the monetary policy stance.** Limited variation around the DFR is tolerated, as long as any related volatility does not blur signals on the intended monetary policy stance. The spread between the MRO rate and the DFR is therefore a key parameter, as it sets the price at which banks can obtain reserves in regular refinancing operations. As part of the OFR, this spread was reduced from 50 to 15 basis points. A narrower spread limits the opportunity cost of holding excess reserves, which is expected to encourage more sizeable participation in SROs as balance sheet normalisation proceeds over time. At the same time, a non-zero spread preserves incentives for market-

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[5] See ECB (2024), "Changes to the operational framework for implementing monetary policy", *press release*, March. See also Schnabel (2024).

[6] See Schnabel (2025).

based funding and prudent liquidity management. The spread between the MRO rate and the MLF rate remains at 25 basis points.

**While SROs provide the marginal unit of liquidity and have a more direct role in the steering of short-term rates, the operational framework will rely on a broader mix of instruments.** A substantial part of the banking sector's structural liquidity needs arising from autonomous factors and MRRs will, over time, be covered through structural operations. These will include structural LTROs and a structural portfolio of securities. Structural instruments will be introduced once the Eurosystem balance sheet begins to grow steadily again.

## Box A
First years of implementation of the OFR

As the Eurosystem normalises its balance sheet, central bank reserves – the most liquid asset of banks – keep declining. This box examines how banks are adapting to lower levels of reserves and explains why take-up of the Eurosystem's SROs is expected to increase.

Central bank reserves have almost halved from a peak of €4.9 trillion in 2022 to €2.6 trillion in early 2026 (Chart A.1a). While still abundant, they are unevenly spread across banks. This implies that, as the Eurosystem continues to shrink its balance sheet, some banks may need to source reserves sooner than others. At the same time, the money market rates at which banks lend and borrow have moved closer to the DFR, the main policy rate through which the ECB steers its monetary policy stance. In fact, secured money market – repo – rates have not traded this close to the DFR since 2020.

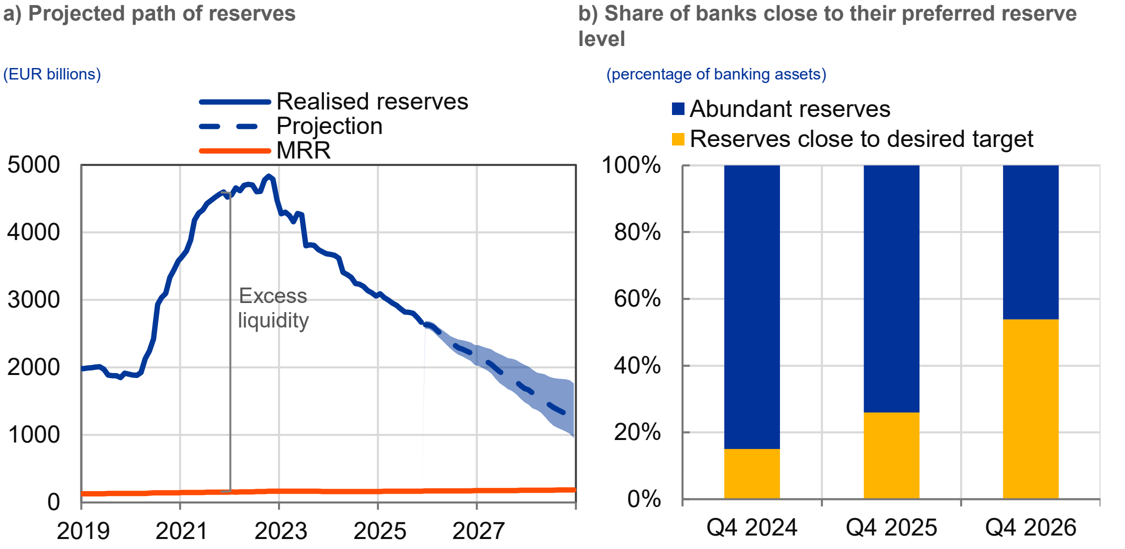
In an annual Eurosystem survey, bank treasurers were asked about their preferred level of reserves. When compared with actual reserves, the survey finds that banks representing 26% of all euro area banking assets are now operating close to the preferred level of reserves indicated, up from 15% a year earlier (Chart A.1b).[7] This group includes large banks, such as globally systemically important banks (G-SIBs), as well as custodians and asset managers, i.e. institutions that generally manage their liquidity more actively.

Looking ahead, reserves are projected to decline by about €470 billion per year, though this projection is highly uncertain (Chart A.1a).[8] While at present most banks still hold abundant reserves, the share of banks nearing their preferred reserve levels is expected to increase. By the end of 2026, banks accounting for 50% of total banking assets are projected to reach their preferred level (Chart A.1b). In other words, banks will have to manage their liquidity more actively.

7 The Eurosystem Bank Treasurer Survey was conducted between 14 and 29 October 2025, with two main objectives: to determine the preferred minimum level of reserves banks aim to maintain under current economic and financial conditions, and to assess the demand for Eurosystem refinancing operations. The survey also investigates what drives demand for central bank reserves and how regulatory requirements interact with that demand.

8 The path of reserves is calculated based on a projection of the other balance sheet items of the Eurosystem. Banknote growth and non-monetary policy holdings are the main contributors to the uncertainty around the central projection.

**Chart A.1**
**Reserve position of euro area banks**




Source: ECB (Eurosystem market operations data and the Eurosystem Bank Treasurer Survey for the fourth quarter of 2025).
Notes: Panel a) shows the projected path of euro reserves assuming that take-up in SROs is in line with the median Survey of Monetary Analysts (SMA) respondent. The area of uncertainty around the projections is based on a range of alternative assumptions. Panel b) classifies banks by the relative distance between their reserves in the fourth quarter of the relevant year and their preferred reserve level indicated in Bank Treasurer Survey. Banks are classified as close to their preferred level if their reserve holdings are within a distance equivalent to 1% of total assets of the reserve target they indicated in the Eurosystem Bank Treasurer Survey. All other banks are classified as banks with abundant reserves. The projection for the fourth quarter of 2026 assumes that the aggregate decline in reserves will continue at the same pace as that observed for each bank business model group between the fourth quarter of 2024 and the fourth quarter of 2025.

As reserves decline, banks will increasingly rely on money markets and the Eurosystem refinancing operations to manage their reserve levels. Banks that are closer to their preferred reserve levels or their internal regulatory targets will normally be the first to seek liquidity. The ECB analyses the behaviour of banks in the money markets and central bank operations in order to learn how reserves are distributed through the market. It also investigates how money market rates are evolving and how banks are adapting to the changes to the operational framework for implementing monetary policy announced in March 2024.

### Liquidity is being redistributed smoothly

Commercial banks are actively lending and borrowing in money markets, which is redistributing their central bank reserves smoothly across banks and euro area countries. This redistribution is currently working well and there are no signs of fragmentation. The repo market – the main money market to borrow and lend reserves – is dominated by banks with abundant reserves. These are mainly dealer banks that intermediate liquidity. However, other banks are also becoming increasingly active in the repo market to manage their reserve levels. In fact, those closest to their preferred reserve levels borrow the most in the short-term repo market relative to their reserves.

Banks are also active in term money markets (where they borrow and lend for longer than 30 calendar days). They use these markets to manage their compliance with the Basel III regulatory standards: the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). Survey evidence indicates that banks set internal targets above the 100% regulatory minimum for these regulatory ratios and are keen to defend them. When facing liquidity shortfalls, term money markets are typically the first point of access. This market activity has further redistributed reserves across euro area banks and countries, but has also pushed up premia on term liquidity, as banks close to their regulatory targets increasingly borrow in these markets to fine-tune these ratios. In turn, activity and interest rates in the term segment may be an early indicator of changing system-wide liquidity needs and a benchmark for the attractiveness of Eurosystem SROs.

### Short-term interest rates are close to the DFR

Overall, short-term market interest rates remain close to the ECB's DFR (Chart A.2a). The benchmark rate for unsecured bank borrowing is the euro short-term rate (€STR). Its spread against the DFR has gradually narrowed. Likewise, secured money market (repo) rates have moved closer to the DFR as collateral has become more abundant and reserves have continued to decline.

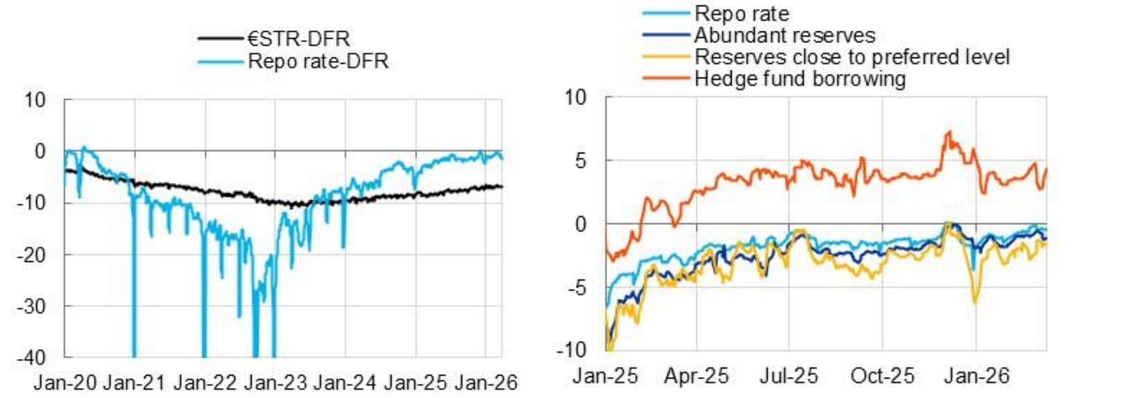
**Chart A.2**
**Short-term interest rates steered through the DFR**

a) Short-term rates to DFR spread

(basis points)

b) Repo rates to DFR spread, by borrower type

(basis points)




Sources: ECB data (Money Market Statistical Reporting and the Securities Financing Transactions Data) and ECB calculations.
Notes: Panel a) shows the spread between the €STR and the DFR as well as the spread between the repo rate and the DFR, the five-day moving average excluding month-ends, where the repo rate is the weighted average repo rate for one-day trades collateralised by euro area government bonds or other EU bonds. The repo rate is trimmed at the twenty-fifth and seventy-fifth percentiles. Panel b) shows the transaction volume-weighted average repo rate for: borrowing banks that are close to their preferred reserve level; borrowing banks that have abundant reserves (see Chart A.1b); and borrowing by hedge funds. The latest observation is for 30 March 2026.

The share of overnight repo trades above the DFR has increased to 40%, but this does not reflect funding pressures for banks. In fact, banks – including those with less abundant reserves – are still borrowing at rates just below the DFR on average (Chart A.2b). Rather, repo rates above the DFR mainly reflect cash demand from hedge funds that are willing to pay the spread to fund their investment strategies in other market segments.

Lessons learned from other jurisdictions, i.e. the United States and the United Kingdom, underscore two points. First, money market rates may also be driven by other factors, such as higher collateral supply and non-bank demand for cash. Second, money market rates may be substantially influenced by factors other than the reserve needs of banks.[9] Therefore, rising rates do not necessarily signal an increasing scarcity of reserves, but may instead reflect shifts in market structure or funding conditions. In such cases, movements in certain segments of the money

[9] For example, in the United States the Federal Reserve announced the launch of Reserve Management Purchases to stabilise the level of reserves, while in the United Kingdom banks are increasingly borrowing from the Bank of England's operations, even though reserves remain above the preferred minimum range. In these jurisdictions, repo rates experienced upward pressure and mild volatility, which is also related to demand from non-banks, including from hedge funds, and partly to bond supply.

markets should be interpreted with caution, as they may not provide a reliable signal about the overall liquidity environment.

### Declining reserves to eventually lift take-up of ECB operations

The demand for Eurosystem SROs remains low so far, because conditions in money markets continue to be favourable. On average, money market rates are substantially lower than the rate on the MRO, which stood at 2.15% as of December 2025 – 15 basis points above the DFR, which stood at 2.00% at the same date (Chart A.3a). Banks can borrow at lower rates in markets than they would have to pay to borrow from the central bank against a wide range of collateral. As a result, take-up of the ECB's SROs has remained limited, averaging around €20 billion last year (Chart A.3b). In contrast, longer-term market funding (for instance, with tenors of 12 months) is seeing rates above the MRO rate. This reflects its regulatory value, especially for NSFR, as SRO funding does not count towards this ratio. However, while overall SRO take-up is low, more banks are participating with test bids to cover temporary liquidity needs. Simply put, there is little urgency to borrow from the ECB at the moment, but banks have to ensure operational readiness.

Our survey results show that the incentive for banks to use Eurosystem operations is likely to increase as reserves become scarcer and SROs become more attractive compared with market funding. This means that moving to lower levels of reserves may, all other things being equal, be accompanied by a rise in money market rates.

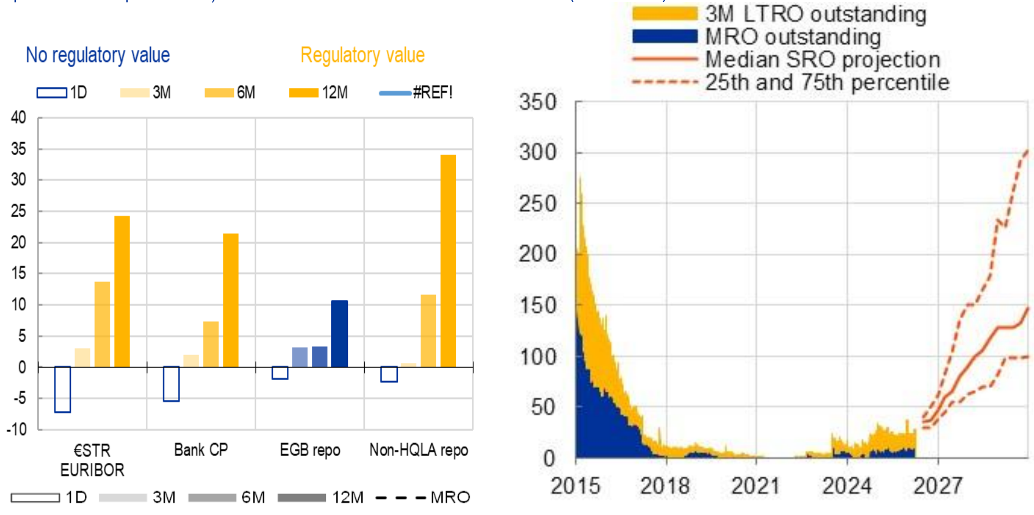
**Chart A.3**
**Favourable funding conditions in money markets explain low take-up in Eurosystem operations**

**a) Relative market pricing of borrowing in money markets versus the expected DFR**

(basis points above expected DFR)

**b) Use of Eurosystem SROs**

(EUR billions)




Sources: ECB (Money Market Statistical Reporting, Securities Financing Transactions Data, Short-Term European Paper statistics, Survey of Monetary Analysts) and ECB calculations.
Notes: Panel a) shows the average difference between each money market rate and the expected DFR implied by the overnight interest swap (OIS) rate with a matching maturity, as an average from July 2025 until 30 March 2026. Repos against high-quality liquid assets (HQLA) collateral – such as euro area government bonds (EGB) – tend not to provide any LCR or NSFR regulatory value, irrespective of the trade maturity. Panel b)shows the outstanding amount in SROs and the median consensus from the March 2026 Survey of Monetary Analysts. LTRO stands for three-month longer-term refinancing operation and MRO for main refinancing operation.

In the ECB's operational framework, the SROs are designed to serve as a marginal tool for meeting banks' liquidity needs. As reserves become less abundant and more banks approach their preferred levels of reserves, SROs – provided at fixed rates with full allotment – offer a key source of reserves. Also, when money market rates move higher, borrowing through SROs and lending into the money market becomes more attractive. In turn, more take-up of SROs will inject reserves into the system, keeping money market rates in check.

### Conclusion

More banks are now operating closer to their preferred reserve levels, and the euro area financial system has so far adjusted well to declining reserves. Banks are borrowing and lending effectively in the markets, which helps to redistribute reserves smoothly across banks and countries. There are no signs of fragmentation. Short-term interest rates, both secured and unsecured, remain close to the ECB's DFR. Until now, money market funding conditions have been favourable compared with the terms for borrowing through SROs. Therefore, banks have met almost all their liquidity needs through money markets. However, as reserves continue to decline, it will be important for banks to be ready to use Eurosystem operations as routine tools to manage their liquidity and to support market-making.

# 3 ECB policy rates: gradual easing of interest rates and impact on money markets

**Since June 2024, the ECB has gradually lowered its key policy rates.** This chapter examines the transmission of these rate cuts to euro area money markets in the context of ongoing balance sheet normalisation. The pass-through to unsecured overnight rates was swift and close to one-for-one. Secured money market rates also adjusted broadly in line with policy changes, reflecting the improved functioning of the repo market as collateral scarcity receded and the use of cash-driven repos increased.

## 3.1 Easing of key interest rates amid a reduction in excess liquidity

**In June 2024, the ECB started a rate-cutting cycle following nine months of unchanged policy rates.** The DFR, which steers the monetary policy stance (see Chapter 2), was reduced by a cumulative 200 basis points, from 4% to 2%, through eight cuts of 25 basis points between June 2024 and June 2025. Over the same period, balance sheet normalisation continued and excess liquidity declined (see Chapter 4).

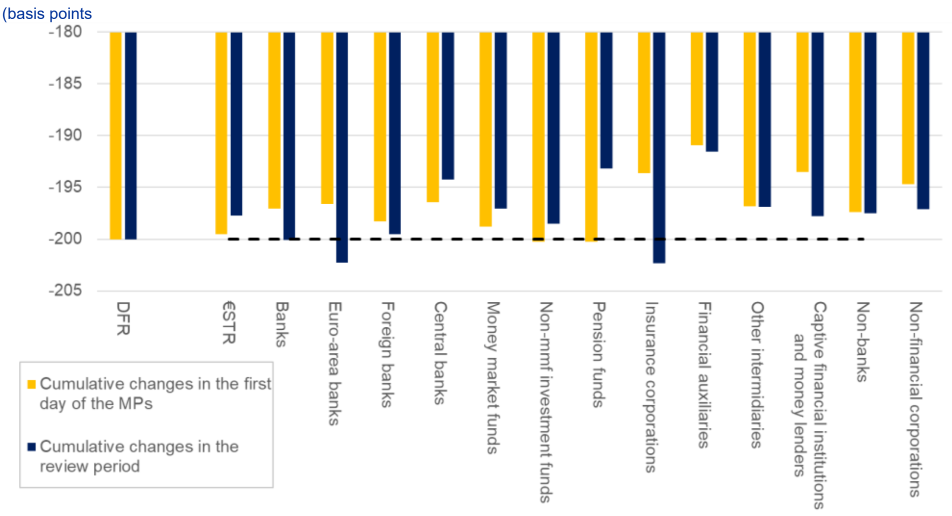
### 3.1.1 Pass-through to unsecured money market rates

**The transmission of policy rate cuts to the overnight unsecured money market rate was swift and closely aligned with each decision.** The €STR – which measures the cost of overnight borrowing of euro area banks in the wholesale deposit market – adjusted almost one-for-one with the DFR on the first day of the respective reserve maintenance periods, indicating an effective pass-through of monetary policy changes. The spread between the €STR and the DFR narrowed as excess liquidity declined (Chart 5). It decreased from around -9.5 basis points in January 2024 to approximately -7 basis points in December 2025, meaning that euro area banks offered slightly higher rates, relative to the DFR, on overnight wholesale deposits from their counterparties.

**Across counterparty sectors, some differences were observed in the speed of pass-through to overnight borrowing rates (Chart 5).** Borrowing rates from money market funds and pension funds adjusted almost fully and immediately. By contrast, borrowing rates from other financial institutions – including insurance corporations, financial auxiliaries, captive financial institutions and money lenders – as well as from non-financial corporations, showed slightly lower immediate adjustments during the first days of the maintenance periods. In several cases, the remaining adjustment occurred soon after. Even at its lowest, pass-through across sectors remained above 95%, pointing to a rapid and broadly complete transmission of policy rate cuts to unsecured money market rates.

**Chart 5**

Transmission of policy rate cuts to banks' overnight unsecured borrowing rates by counterparty sector




Sources: Money market statistical reporting (MMSR), Refinitiv and Eurosystem calculations.
Notes: This chart compares the immediate pass-through with the overall variation, which also incorporates the effect of other factors. The immediate pass-through is calculated as the difference between the rate on the last day of each maintenance period and the rate on the first day of the subsequent period for every policy cut. These differences are then aggregated to obtain the cumulative change. The overall variation is measured as the difference between average values in the last quarter of 2025 and the first quarter of 2024.The rates refer to borrowing transactions with overnight maturities of MMSR reporting banks.

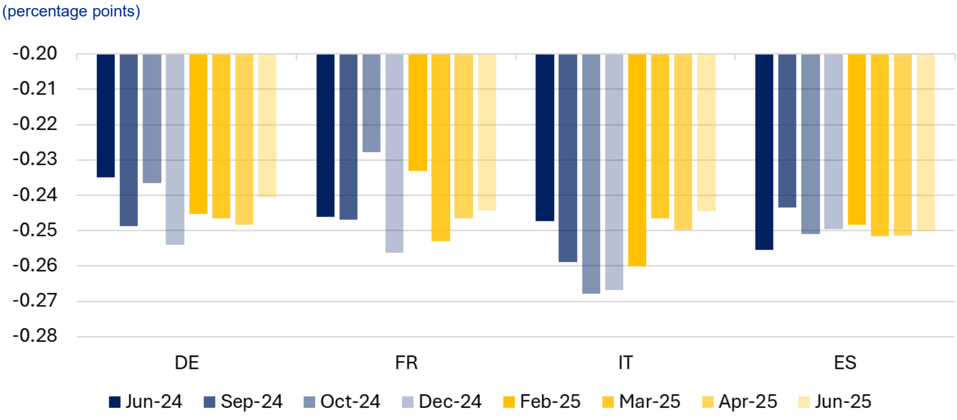
## 3.1.2 Pass-through to secured money market rates

**In the repo market, the pass-through of policy rate cuts was orderly in 2024-25 (Chart 7). It was also better than in previous years, which were largely influenced by downward pressure.**[10] On the first day of the relevant reserve maintenance periods, repo rates declined broadly in line with the 25 basis point reductions in the DFR. The adjustment was particularly close for Italian and Spanish collateral, while for German and French collateral, rates also moved broadly in line with policy changes, albeit with somewhat greater dispersion.

[10] See Hudepohl and Malderez for the previous report (2024).

**Chart 7**

Transmission of policy rate cuts to overnight secured money market rates by collateral class




Sources: MTS/Brokertec (daily data) and Eurosystem calculations.
Notes: This chart shows the immediate pass-through of policy rate changes to repo rates by collateral jurisdiction.The immediate pass-through is calculated as the difference between the rate on the last day of each maintenance period and the rate on the first day of the subsequent period for every policy cut, each of 25 basis points.

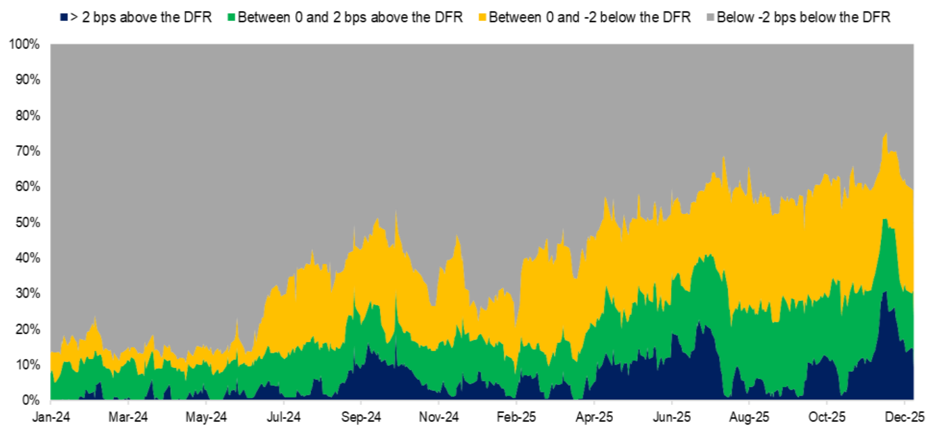
**The improved transmission reflects normalisation of the euro area repo market, which left behind a collateral scarcity regime.** The reduced Eurosystem footprint in government bond markets, together with increased sovereign issuance, expanded collateral supply and alleviated downward pressure on repo rates. Secured rates converged across collateral classes and traded close to the DFR. The share of repo volumes transacted below the DFR declined from around 90% to approximately 60%, and roughly half of volumes traded within a narrow spread of ±2 basis points around the DFR (Chart 8).

**The growing importance of cash-driven repos also contributed to stronger transmission.** Although repo activity remained largely driven by transactions aimed at sourcing specific securities (special collateral repos), the share of general collateral (GC) trades increased (Chart 9). GC repos are primarily used to invest or obtain cash irrespective of the underlying security, and therefore tend to reflect overall liquidity conditions. In an environment of declining excess liquidity, GC rates aligned more closely with the DFR, enhancing the responsiveness of secured rates to policy changes.

## Chart 8

Euro area repo market trading spread to the DFR

(percentage)

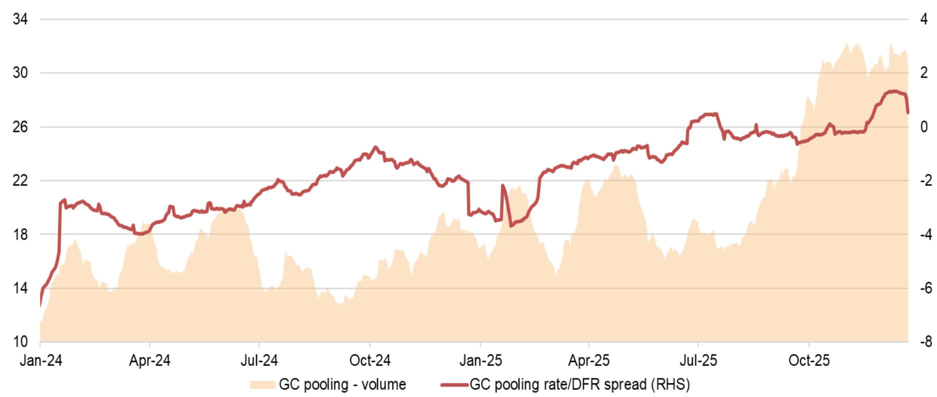



Sources: MMSR, Refinitiv and Eurosystem calculations.
Notes: The chart shows the share of trading by MMSR reporting agent broken down by the spread to the DFR. The rates refer to overnight borrowing transactions of MMSR reporting banks with general government collateral.

## Chart 9

Overnight GC pooling trades

(left-hand scale: EUR billions; right-hand scale: basis points)




Sources: MMSR, Refinitiv and Eurosystem calculations.
Note: The chart shows volumes and rate of overnight borrowing trading by MMSR reporting agent with the Eurex GC pooling basket; 20-days moving average.

# 4 Purchase programmes and credit operations: reduction in excess liquidity and smooth market absorption

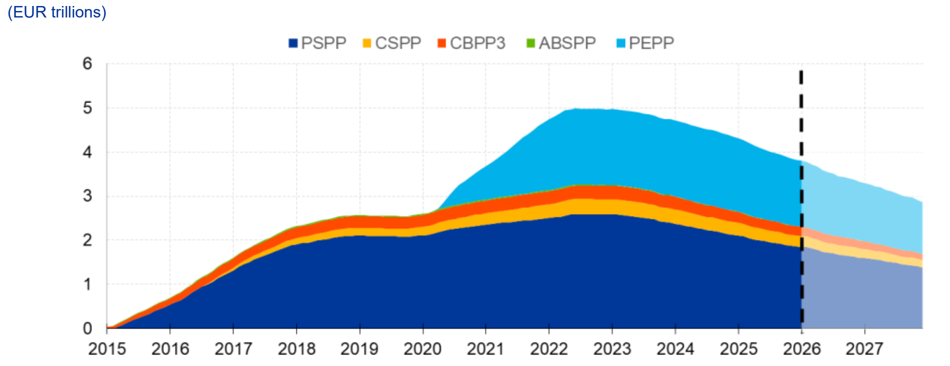
The Eurosystem's balance sheet declined steadily through 2024 and 2025, as both APP and PEPP moved into full passive run-off, while the last TLTROs matured. This normalisation occurred among favourable market conditions with declining rate volatility and tighter credit spreads. Despite the decline in excess liquidity, participation levels in the standard Eurosystem credit operations remained limited. After the full repayment of the third series of TLTROs (TLTRO III) by December 2024, ECB lending to banks remained at historically low levels in 2025.

## 4.1 Purchase programmes: decline at a measured pace

**Asset holdings under the ECB purchase programmes continued to decline at a gradual and predictable pace during 2024 and 2025, in line with the Governing Council's balance sheet normalisation strategy.** Combined APP and PEPP holdings fell by €0.9 trillion over the period, to €3.7 trillion. The APP portfolio, already in full passive run-off since July 2023, declined by €0.7 trillion to €2.3 trillion. The PEPP portfolio decreased by €0.2 trillion to €1.4 trillion, following full reinvestments in the first half of 2024 and partial reinvestments in the second half. From January 2025 onwards, principal payments under both programmes were no longer reinvested. This marked the first time since 2014 that the Eurosystem had made no monetary policy purchases in euro area bond markets. Based on expected redemptions for the following 24 months, total APP and PEPP holdings are projected to decline by €0.5 trillion and €0.4 trillion in 2026 and 2027, respectively, to jointly stand at around €2.9 trillion by end-2027.

**Chart 10**

Eurosystem combined holdings for the APP and PEPP over time




Source: Eurosystem.
Notes: Snapshot date end of December 2025. The dotted line marks the start of the projected period (based on redemptions).

**The transition to full passive run-off was accompanied by harmonised publication practices.** From 8 January 2025, PEPP holdings and redemption data were published with the same frequency and granularity as APP data, including both backward-looking and forward-looking redemption profiles. This enhanced transparency supported market understanding of the projected balance sheet path.

**The PEPP portfolio declined following a structured and well-communicated phase-out of reinvestments in 2024.** In view of uneven monthly redemption patterns, the Governing Council set the reduction pace in average terms for the period July-December 2024, rather than targeting fixed monthly amounts. This approach created operational flexibility, allowing the Eurosystem to balance its market presence against seasonal patterns of redemptions and issuance, and facilitated smooth market absorption. Moreover, the flexibility embedded in the PEPP framework remained available, with reinvestments smoothed across time and jurisdictions, to address risks to the orderly transmission of monetary policy.

**Overall, the higher net supply of sovereign bonds was well absorbed by investors, thereby compensating for the reduced holdings of the Eurosystem.** The first years of the ECB's bond portfolio run-off coincided with an increase in bond issuance, boosting the expansion in net bond supply. Yet market absorption remained strong, a fact underscored by solid auction performance and a stable, low-volatility trading environment. Foreign investors and banks increased their holdings of euro area government debt, retrieving part of their market share lost during the quantitative easing (QE) era (Chart 11). Historically, foreign investors as a whole were the largest holders of euro area government securities, exceeding the holdings of any individual euro area-domiciled investor sector and accounting for 40% of the amount outstanding by the start of the APP in 2014.[11] As central bank reserves in the system declined, banks

[11] The APP started with purchases of covered bonds and asset backed securities in October 2014. Purchases of government bonds started in March 2015.

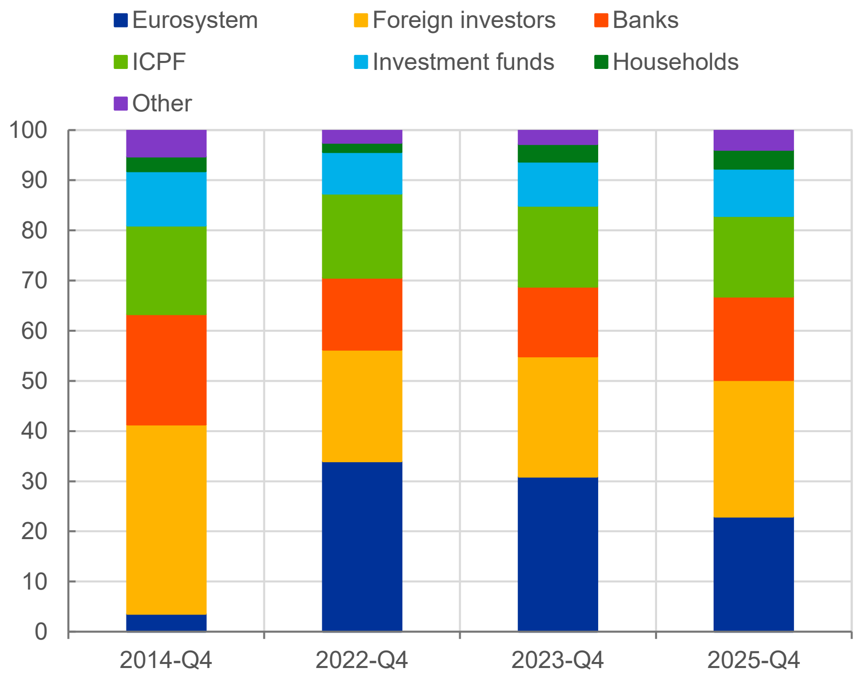
substituted part of their reserve holdings with government bonds (HQLA), reversing the pattern seen during QE. Households also increased government bond holdings, given the more attractive yields offered compared with bank deposits.

**As bond supply increased, asset swap spreads normalised towards the levels observed before the APPs.** For example, ten-year German government bond yields traded above corresponding OIS rates during 2025, reversing the negative spreads observed during periods of pronounced safe asset scarcity. The adjustment was particularly visible between September 2024 and March 2025, and subsequently stabilised. At the same time, intra-euro area sovereign spreads narrowed, with the Italy-Germany ten-year spread declining towards levels last seen before the euro area sovereign debt crisis (Chart 12). These developments occurred in a context of generally contained rate volatility and stable market functioning.[12]

**Chart 11**

Holdings of euro area government debt

(percentage of total amounts outstanding)

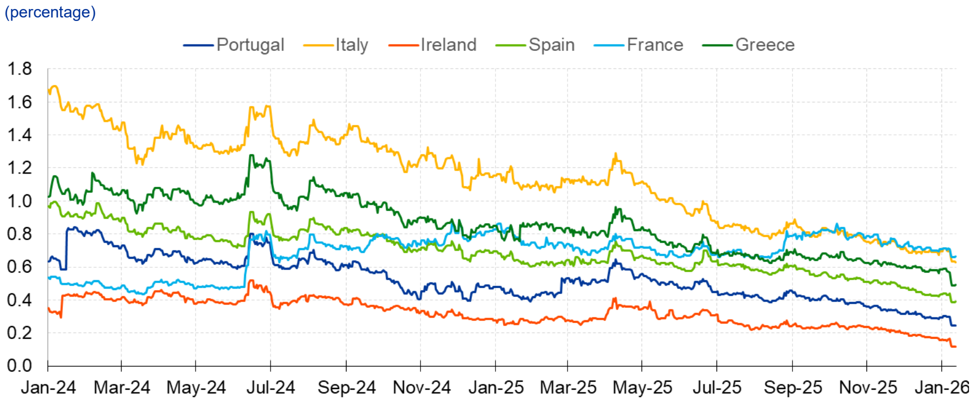



Sources: ECB Securities Holding Statistics and ECB calculations.
Notes: The chart is based on all general government debt, including agency debt, in nominal terms. The breakdown is shown for euro area holding sectors, while the holdings of non-euro area investors are extrapolated based on data on outstanding amounts. ICPF stands for insurance corporations and pension funds. Government is exclusive of own holdings of central government.
The latest observation is for Q4 2025.

12 These developments were also supported by upward pressure on German yields stemming from fiscal expansion plans, contrasted with declining non-core sovereign yields driven by improved credit fundamentals and sovereign rating upgrades.

**Chart 12**

Intra-euro area sovereign bond spreads




Source: Eurosystem.
Note: Ten-yr spreads versus Germany are shown for selected countries as of 12 January 2026.

## 4.1.1 Reduction in carbon intensity

**Since October 2022, corporate bond purchases have been tilted towards issuers with higher climate scores, contributing to a gradual reduction in the carbon intensity of the portfolio.** The Eurosystem applied an internal climate score reflecting emissions performance, disclosure and decarbonisation targets. As a result, bonds purchased after the tilting framework was introduced have a lower weighted average carbon intensity (WACI) than earlier purchases.[13] Given the relatively small share of corporate bonds within the PEPP portfolio, reinvestments in 2024 amounted to around €3 billion, compared with total corporate bond holdings of €290 billion at end-2025.

**In June 2024, the Governing Council announced the setting of interim emission reduction targets for corporate bond portfolios under the APP and PEPP, consistent with the objectives of the Paris Agreement.**[14] The target is an average annual reduction of at least 7% in the weighted average emissions intensity of issuers relative to the end-2021 baseline. Where deviations from the desired decarbonisation path for the aggregate corporate portfolios occur, remedial actions may be assessed within the ECB's mandate, on a case-by-case basis. To date, the pace of portfolio decarbonisation has exceeded the interim targets.

[13] For more details, see ECB (2025), "Climate-related financial disclosures of Eurosystem assets held for monetary policy purposes and of the ECB's foreign reserves", Chart 11 on page 32, June.

[14] See ECB (2024), "Eurosystem and ECB portfolios steadily decarbonising, climate-related disclosures show", *press release*, 25 June.

## 4.2 Credit operations: limited demand for central bank liquidity

Eurosystem credit operations are reverse transactions secured by adequate eligible collateral (see Chapter 5) and accessible to all euro area credit institutions meeting the counterparty eligibility criteria (see Chapter 6). These operations include both euro-denominated refinancing operations and US dollar liquidity operations.

**During the period under review, outstanding euro-denominated credit operations consisted of SROs and TLTRO III.** The SROs, comprising MROs and LTROs, provide one-week and three-month liquidity, respectively, at the MRO rate (or average rate on MROs, as applicable). TLTRO III provided three-year funding to banks, which were able to borrow at quarterly frequency between September 2019 and December 2021. Borrowing rates in these operations could be as low as 50 basis points below the average DFR over the period from June 2020 to June 2022, and as low as the average DFR during the rest of the life of the operations, contingent on banks meeting a predetermined lending benchmark. By December 2024, all lending under the TLTRO III had been repaid.

**In addition, the Eurosystem continued to offer one-week US dollar liquidity operations in coordination with other major central banks.** These operations are priced at the one-week US dollar OIS rate plus 25 basis points, and serve as a liquidity backstop for the smooth functioning of the foreign exchange swap market.

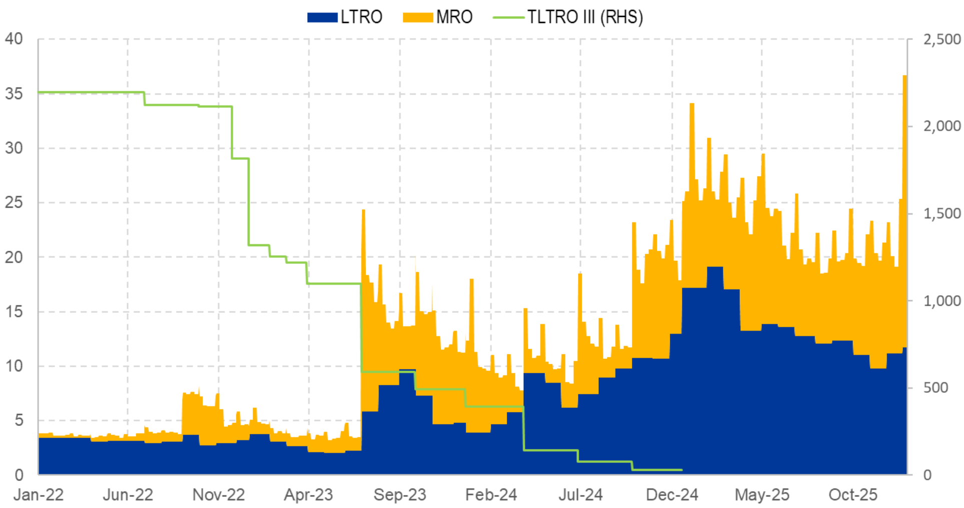
### 4.2.1 Limited recourse to SROs

**Recourse to SROs remained limited throughout the period under review (Chart 13).** On average over 2024-25, outstanding SROs amounted to €18.7 billion, including €7.7 billion in MROs and €11.0 billion in LTROs. At end-2025, liquidity provided through SROs represented a small fraction of the excess liquidity, which amounted to approximately €2.5 trillion. Nevertheless, recourse increased temporarily in 2024, partly reflecting the progressive repayment of TLTRO III. The reduction in the MRO-DFR spread in September 2024 (Chapter 2) may also have supported participation in SROs, by lowering the relative cost of central bank funding.

**Chart 13**

Outstanding amount of MROs, LTROs and TLTRO III since 2022

(EUR billions)



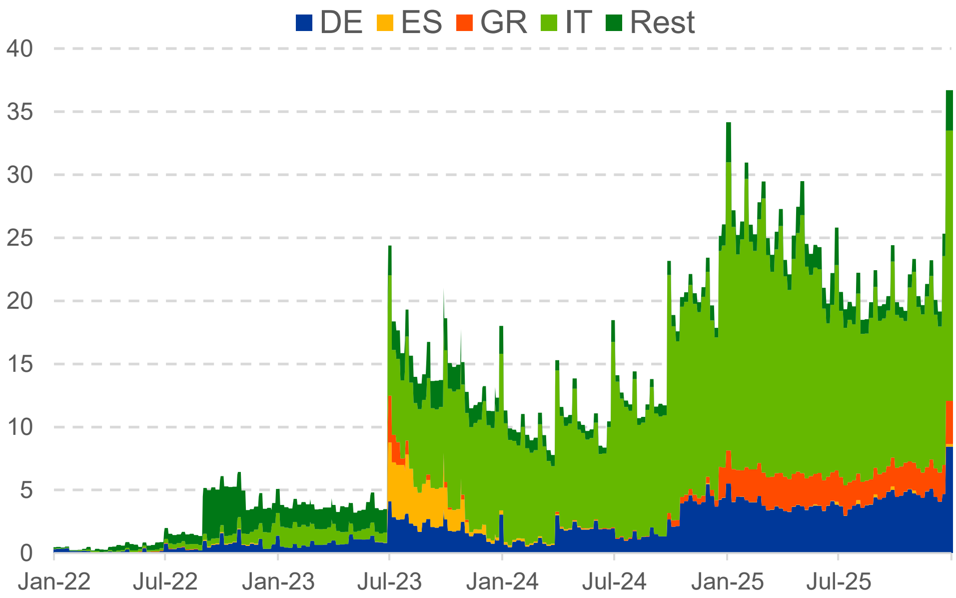

Source: Eurosystem.
Note: Snapshot date end of December 2025.

**Recourse to SROs increased temporarily in 2024, largely in connection with the repayment of TLTRO III, which amounted to around €390 billion over the year.** As longer-term funding matured, some banks shifted part of their central bank funding towards shorter-maturity SROs. At the beginning of 2024, outstanding SROs amounted to €11.3 billion. SRO volumes peaked at €34.2 billion around end-2024, before declining in 2025 and peaking again above €35 billion at end-2025. This increase was mostly attributable to Italian, German and Greek banks (Chart 14). Going forward, SROs are expected to play a bigger role in central bank liquidity provision (Chapter 2).

**Chart 14**

Regular refinancing operations, outstanding amounts by country

(EUR billions)




Source: Eurosystem.
Note: Snapshot date end of December 2025.

**In addition to the substitution of maturing TLTRO funding, three factors influenced recourse to SROs in 2024.** First, some banks made use of MROs around month-end reporting dates, reflecting balance sheet management considerations linked to regulatory reporting. This pattern explains the recurrent peaks in take-up at month-ends. Second, a limited number of banks relied on SROs to fulfil MRRs, particularly when they were not active in money markets. Third, SROs were occasionally used to address short-term funding needs not anticipated in bank funding plans.

**In 2025, outstanding SRO volumes declined somewhat compared with the peaks observed in late 2024, reaching a low of €18.5 billion in August before rising again around year-end.** The overall level of recourse remained modest, reflecting liquidity conditions that supported the availability of alternative market funding at attractive conditions.

**Recourse to the MLF was occasional and largely associated with idiosyncratic liquidity shortfalls or technical settlement issues.** The MLF allows eligible counterparties to obtain overnight liquidity and is designed to cover specific liquidity shortfalls – caused either by market developments or by technical issues affecting the settlement of counterparties' payments – when the counterparty is not able to find alternative funding on the market or lacks the infrastructure for secured operations. During the period under review, average daily recourse amounted to approximately €46 million, slightly below the previous two-year average (€53 million) but negligible in aggregate terms. On more than one-third of days, no recourse was recorded.

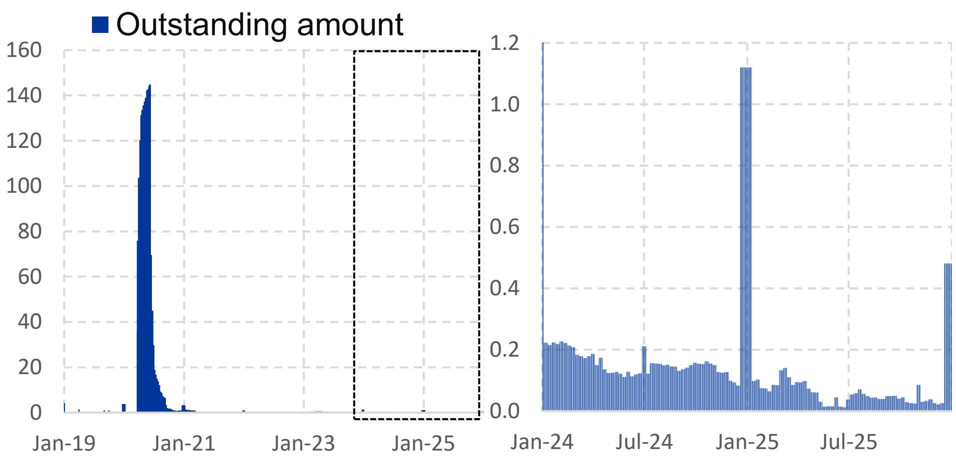
## 4.2.2 Limited recourse to US dollar liquidity operations

**Use of US dollar liquidity operations remained limited (Chart 15), explained by stable USD funding conditions.** Average take-up during 2024-25 was generally below USD 200 million, with temporary year-end peaks (USD 1,120 million at end-2024 and USD 481 million at end-2025). Volumes declined steadily over the period and remained far below the levels observed at the height of the pandemic (USD 145 billion in June 2020).

**Chart 15**

Outstanding amounts in USD tenders

(USD billions)




Source: Eurosystem.
Notes: Snapshot date end of December 2025. The dotted lines highlight the period under review.

# 5 Collateral framework

**During the period under review, most temporary crisis-related measures were phased out, while the overall framework remained broad.** The global financial crisis of 2008 resulted in temporary collateral easing measures that expanded the availability of eligible assets beyond the Single List established in 2007.[15] Over subsequent years, the collateral framework was revised and extended in response to evolving market conditions. This section reviews the main developments in the collateral framework – the Eurosystem's second layer of risk protection – including further harmonisation of the framework, adjustments to risk control measures[16], a second-best aggregation rule for external credit assessment institution (ECAI) ratings and the gradual implementation of Scope Ratings[17] under the Eurosystem Credit Assessment Framework (ECAF), a climate factor focusing on marketable assets issued by non-financial corporations, as well as their affiliated entities, and the launch of the ECMS. All announcement and implementation dates of recent measures are reported in Table 3 and discussed in the following subsection.

## 5.1 Enhancing the harmonisation, flexibility and risk efficiency of the collateral framework

**Following the restoration of Greece's investment-grade rating on 8 September 2023, the ECB discontinued the waiver that had allowed marketable debt instruments issued by the Hellenic Republic to remain eligible despite not meeting the minimum credit quality requirements.** Following this rating upgrade to credit quality step 3 in the Eurosystem's harmonised rating scale (BBB-) in 2023, Greek government debt instruments satisfied the Eurosystem's credit quality threshold and again became eligible under the Eurosystem's GC framework.

**In November 2024, the Governing Council adopted measures to enhance the harmonisation and efficiency of the collateral framework.** As aggregate collateral needs declined after TLTRO III matured, most temporary crisis-related measures were discontinued. Since the global financial crisis, the Eurosystem had operated both a GC framework and a temporary framework incorporating easing measures. With the phasing-out of most temporary measures, the

15 For further information on how the collateral framework has been developed over the years, see Bindseil et al. (2017).

16 See ECB (2025), "ECB reviews risk control framework for monetary policy credit operations", *press release*, 17 November.

17 The ECB accepted Scope Ratings as an external credit assessment institution (ECAI) for the ECAF in November 2023. In December 2024, the ECB completed the technical onboarding, allowing Scope-rated collateral assets to be used as collateral in Eurosystem monetary policy operations.

temporary collateral framework was nearing full discontinuation by the end of the period under review.[18]

**Some temporary measures were integrated into the GC framework, while others related to additional credit claims (ACCs) were discontinued.** As of 30 March 2026, the following asset types were incorporated into the general framework: (i) asset-backed securities with a second-best rating corresponding to credit quality step 3 that meet the applicable eligibility criteria; and (ii) certain marketable assets denominated in US dollars, pounds sterling or Japanese yen. In addition, the Eurosystem diversified accepted credit assessment sources by allowing the future use of national central banks' statistical in-house credit assessment systems (S-ICASs) for non-financial corporate credit claims under a harmonised methodology. By contrast, several ACC assets were discontinued, including loans to private individuals, pools of credit claims backed by real estate assets, individual credit claims below credit quality step 3 and certain foreign currency-denominated loans. Retail mortgage-backed debt instruments (RMBDs) and non-marketable debt instruments backed by eligible credit claims (DECCs) were also made non-eligible due to their limited quantitative relevance.

**In February 2025, the Governing Council decided to adopt a second-best rating aggregation rule for private sector assets and non-euro area public sector assets.** Where such an asset is rated by more than one ECAI, the second-highest credit rating will be used to determine eligibility and haircuts. Where only one rating is available, it will be adjusted downward by one notch for collateral purposes. This approach aims to enhance the use of available rating information while maintaining prudent risk control. For euro area public sector assets, the existing first-best rating rule continues to apply, reflecting the broader range of credit information available and the Eurosystem's enhanced due diligence on sovereign issuers. The new rule is expected to enter into force no earlier than 18 months after the February 2025 announcement.[19]

**In June 2025, the Eurosystem further reduced its reliance on external ratings for non-marketable assets.** With the go-live of the ECMS (see Box B), the Eurosystem started to always give priority to ratings of national central banks' in-house credit assessment systems (ICASs) over both ECAIs and counterparties' internal rating systems (IRBs) to determine the eligibility and valuation haircuts for credit claims.

**In November 2025, the Governing Council decided on adjustments to its valuation haircuts for collateralised credit operations.** The adjustments aim to maintain a high level of risk protection while preserving risk efficiency. The most significant changes concern: i) retained asset-backed securities (ABSs), which

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18 See ECB (2024), "ECB announces changes to the Eurosystem collateral framework to foster greater harmonisation", *press release*, 29 November. Alexopoulou et al. (2025) review the evolving role of "additional credit claims" as the quantitatively most significant asset class in the temporary collateral framework.

19 See ECB (2025), "ECB announces changes to use of external ratings for private sector assets in Eurosystem collateral framework", *press release*, 21 February.

will receive dedicated haircuts under an improved definition, ii) own-used covered bonds, where existing add-ons will be replaced with a separate haircut schedule, and iii) individual credit claims, where haircuts will also reflect amortisation type alongside residual maturity, credit quality and interest rate type. The changes resulting from this review of the risk control framework will take effect no earlier than November 2026.

**Table 3**
Timeline for recent collateral measures

| Policy measure | Announcement date | Implementation date(s) |
| --- | --- | --- |
| Acceptance of Scope Ratings | 10 November 2023 | 16 December 2024 |
| ECMS | | Go-live on 16 June 2025 |
| Discontinuation of Greek waiver | 8 September 2023 announcement of rating upgrade | |
| Harmonisation of collateral framework | 29 November 2024 | Pools of non-financial corporate credit claims will continue to be accepted as eligible collateral under the temporary framework until at least end-2026, pending the conclusion of the related preparatory work for their acceptance in the general framework. The same applies for credit claims benefiting from a COVID-19-related public sector guarantee, which are to be phased out. Notwithstanding this, national central banks may decide to terminate (parts of) their additional credit claim (ACC) framework early.<br>The other changes entered into force on 30 March 2026. |
| Second-best rating aggregation rule | 21 February 2025 | No earlier than 18 months from the announcement |
| Climate factor | 29 July 2025 | 15 June 2026 |
| Regular review of the risk control framework | 17 November 2025 | November 2026 at the earliest |

## 5.2 Climate change considerations in the collateral framework

**Following the ECB's 2021 monetary policy strategy review, confirmed by the 2025 strategy assessment, the Eurosystem has announced several measures aiming at incorporating climate-related considerations in its MPOs.**[20] As part of the ECB's Climate and Nature Plan 2024-2025, measures were adopted to enhance the management of climate-related risks within the collateral framework. The main developments during the period under review were the introduction of a climate factor applicable to some corporate collateral, the entry into force of common minimum standards for incorporating climate-related risks into ICASs and the decision to postpone Corporate Sustainability

20 An overview of the related measures during 2022-23 can be found in Box D of Hudepohl and Malderez (2024).

Reporting Directive (CSRD) compliance as a climate-related disclosure requirement for entities that fall under the CSRD.[21]

**The climate factor will be applied, on top of regular valuation haircuts, to marketable assets issued by non-financial corporations and their affiliated entities, as of 15 June 2026.** This asset class was selected due to the availability of climate-related data and the experience gained through the tilting framework applied to corporate bond purchases (see Chapter 4). The objective is to protect the Eurosystem against potential valuation risks associated with adverse climate transition scenarios. The calibration of the climate factor will take into account: (i) a sector-specific stress component derived from the adverse scenario of the Eurosystem climate stress test; (ii) an issuer-specific transition risk indicator based on the methodology used in the corporate bond tilting framework; and (iii) an asset-specific sensitivity linked to residual maturity. Based on the uncertainty score, a climate factor will be assigned to the marketable assets in scope that adjusts the collateral value after the application of other risk control measures. The calibration of the measure will ensure that adequate collateral availability is preserved. The climate factor, including its scope and calibration, will be regularly reviewed by the Governing Council to account for the increasing availability of data, relevant regulatory developments and advances in risk assessment capabilities.

**The Eurosystem's established common minimum standards for incorporating climate-related risks into the credit assessments produced by the ICASs operated by national central banks (NCBs) entered into force in 2024.** Currently, eight NCBs have developed an ICAS for assessing the credit quality of credit claims granted to non-financial corporations (NFCs). The assessment of climate change risks is integrated into the regular rating process and conducted according to a priority-based and proportionate approach. All ICASs are currently compliant with these agreed standards.

**In July 2025, the Eurosystem announced the postponement of the planned CSRD-linked eligibility requirement in the collateral framework.** The initial measure envisaged restricting collateral eligibility to corporate issuers and debtors subject to the CSRD that comply with its reporting obligations. Delays in national transposition and proposed amendments under the European Commission's Omnibus package led to the decision to postpone implementation. A revised timeline for the implementation of the measure will be communicated in due course.

21 ECB (2025), "ECB to adapt collateral framework to address climate-related transition risks", press release, 29 July. The climate factor is part of follow-up work on the July 2024 decision not to proceed with the implementation of collateral pool concentration limits, due to the non-fulfilment of technical preconditions (ECB (2024), "Decisions taken by the Governing Council of the ECB (in addition to decisions setting interest rates)", *press release*, 19 July).

## 5.3 Eligibility and mobilisation of collateral

**During the** period under review**, the average nominal amount of marketable assets eligible as collateral increased by around 5%, from €19 trillion to €20 trillion**. The composition of the eligible universe remained broadly stable, with government bonds accounting for the largest share (53.9%), followed by unsecured bank bonds (11.2%) and covered bonds (9.7%) in 2024-25 (Chart 16a).

**The total average amount of mobilised collateral declined slightly in 2025 to €1.6 trillion (-2.2% compared with 2024), reflecting low recourse to SROs and the full repayment of TLTRO III.** The reduction was most pronounced for non-marketable assets (€70.3 billion, also influenced by changes in asset eligibility), corporate bonds (€3.5 billion) and UBBs (€3.3 billion), while mobilisation of covered bonds increased (€22.2 billion) and partially offset these declines. In 2025, non-marketable assets, which have a lower opportunity cost of being pledged, accounted for the largest share of mobilised collateral (34.0%), followed by covered bonds (26.5%) and asset-backed securities (19.3%) (Chart 16b).

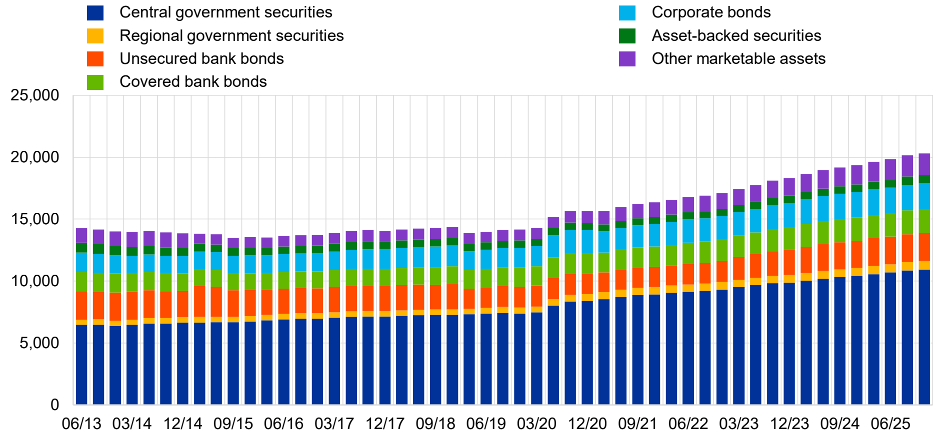
**A notable feature of collateral usage during the period was the persistently high level of over-collateralisation, which increased further in 2025.** This also reflected low recourse to SROs, combined with only partial demobilisation of collateral following earlier TLTRO III repayments.

## Chart 16

Eligible marketable assets and use of collateral

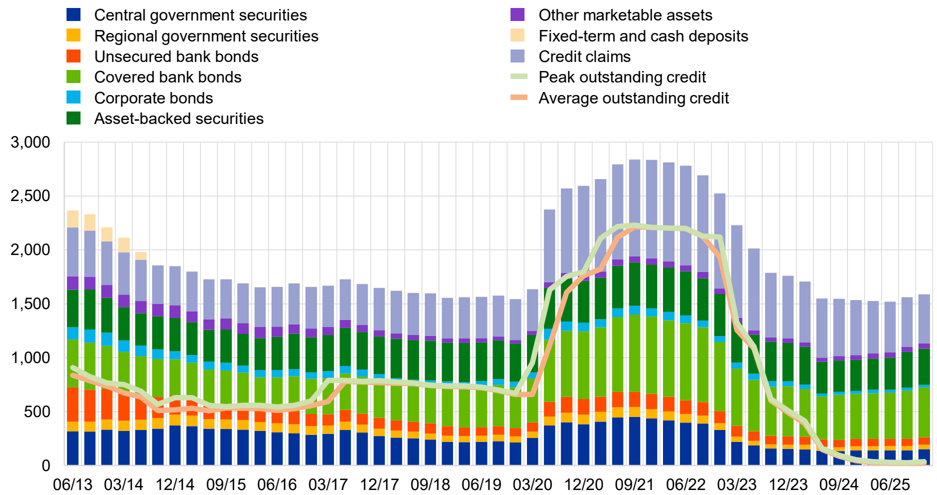
### a) Developments in eligible marketable assets

(EUR billions)




### b) Use of collateral and outstanding credit

(EUR billions)




Sources: ECB and ECB calculations.
Note: This chart shows collateral values after haircuts, as opposed to nominal amounts of averages of end-of-month data for each period (in panel a).

## Box B
### Eurosystem Collateral Management System

On 16 June 2025, the ECMS went live. The ECMS is a single Eurosystem platform for managing all eligible assets used for Eurosystem credit operations under the Eurosystem collateral framework, including both marketable and non-marketable assets.

The ECMS has replaced most of the collateral management systems[22] previously operated by NCBs,[23] streamlining processes and harmonising rules for the mobilisation and management of collateral across the euro area, while maintaining the legal or business relationships between NCBs and their counterparties.[24]

The ECMS is designed to accommodate the onboarding of additional NCBs and market participants, ensuring scalability and readiness for future euro area enlargements.

The ECMS is integrated within Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET) services (in addition to T2, T2S and TIPS), making possible the free flow of liquidity in central bank money, securities and collateral, for Eurosystem credit operations, across the euro area.

**A collaborative project which led to a successful go-live**

The ECMS project reflects the collaborative efforts of all euro area central banks and market participants – triparty agents (TPAs), central securities depositories (CSDs) and monetary policy counterparties – which played a crucial role by adapting their systems and processes. All project phases were successfully completed, demonstrating strong commitment to harmonisation and operational readiness.

The ECMS application layer and technical infrastructure were delivered by the Banco de España and the Banque de France, two of the four NCBs that act as service providers for TARGET services.

The project achieved comprehensive readiness across all critical dimensions, including software, connectivity, testing and operational processes. Integration with other TARGET services and European System of Central Banks (ESCB) applications was supported by strong coordination and joint testing, ensuring seamless interoperability and stability within the Eurosystem infrastructure.

Post-launch, ECMS is maintained through biannual releases (in line with the other TARGET services), with ongoing testing and quality assurance. NCBs continue to play a central role in managing change requests and ensuring that the system evolves along with user needs.

22 Some NCBs still operate national systems for the mobilisation and management of credit claims and ACCs.

23 Each NCB was using different systems for different asset classes.

24 See "What is the ECMS?" on the ECB website.

**An enhanced platform for market participants**

Market participants can benefit significantly from ECMS in the following ways:

- Smooth monetary policy implementation: designed to support MPI framework, it enhances the effectiveness of monetary policy transmission.
- Enhanced liquidity: the faster and more efficient mobilisation of collateral improves liquidity access, especially during market stress.
- Harmonisation of collateral management practices: the ECMS, as a TARGET service, interacts with T2 and T2S to provide their users with common harmonised functionalities, rules and collateral management arrangements.
- Improving operational efficiency by allowing NCBs, their counterparties and other relevant actors to operate on a single system with a single interface.
- Integration within the Eurosystem's market infrastructure landscape (i.e. ESCB, TARGET services), enhancing daily management of marketable and non-marketable assets and the settlement of Eurosystem credit operations (See Figure B1).
- Cross-border accessibility: institutions can manage collateral seamlessly across jurisdictions, supporting cross-border transactions and liquidity management, including for non-marketable assets.
- Improved risk management: centralised collateral data and standardised eligibility checks enhance transparency and reduce operational risk.
- Technological integration: ECMS interoperates with market infrastructures and internal systems, improving automation and reducing complexity.
- Cost savings: harmonisation reduces the duplication of systems and processes, thereby lowering IT and compliance costs.

**The key role of the NCBs as service desks for their banking communities**

NCBs provide expert knowledge and maintain relationships with their respective counterparties, CSDs and TPAs.

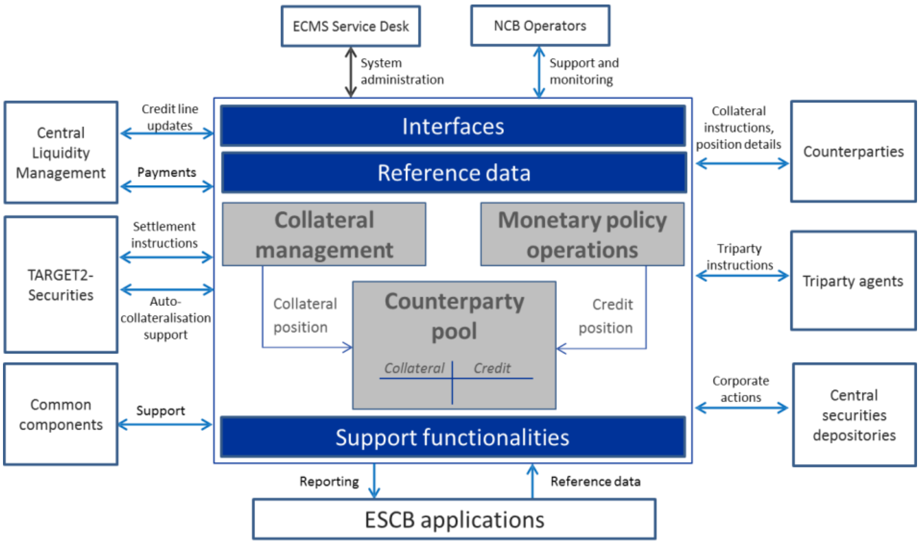
NCBs regularly meet with stakeholders, via the CSD-TPA Contact Group and in the Advisory Group on Market Infrastructures for Payments (AMI-SeCo).

NCBs are deeply involved in functional, operational and testing activities, and continue to influence ECMS development through stakeholder engagement and governance structures.

NCBs operate an ECMS National Service Desk to handle all user inquiries, requests and incidents.

**Figure B1**

Interaction of the ECMS with other services & actors




Source: ECB, ECMS Info-pack: an introduction to the ECMS.

# 6 Eurosystem counterparty framework and MRRs

This chapter reviews developments in the Eurosystem counterparty framework and in MRRs over 2024 and 2025. A brief recap of the relevant eligibility criteria for monetary policy counterparties and discretionary measures is provided, followed by an overview of the universe of counterparties eligible for participation in Eurosystem MPOs. The chapter also addresses the evolution of MRRs on an aggregated basis, along with changes in the management of reserves implemented by credit institutions to meet their obligations.

## 6.1 Eligibility criteria and discretionary measures

**The Eurosystem counterparty framework – the Eurosystem's first layer of risk protection – establishes the eligibility criteria that euro area credit institutions must meet to gain access to MPOs.**[25] The counterparty framework is designed to ensure that a broad range of counterparties may participate in Eurosystem MPOs, while protecting the Eurosystem from the risk of a counterparty defaulting. The General Documentation Guideline (GD) describes, among other provisions, the rules of the counterparty framework in line with a decentralised monetary policy implementation approach in the euro area.[26]

Eligibility criteria for participation in Eurosystem MPOs remained unchanged during the period under review. For an institution to qualify as an eligible counterparty, it must[27]:

1. be subject to Eurosystem MRRs;
2. be subject to harmonised EU/EEA supervision or comparable supervisory standards[28];
3. be financially sound; and
4. fulfil the operational requirements of the local NCB to participate in MPOs.

The first requirement supports the effective transmission of monetary policy via the banking system by allowing euro area institutions that qualify as credit

25 Monetary policy eligible counterparties (MPECs) are defined as counterparties having access to either liquidity-providing and/or liquidity-absorbing open market operations and standing facilities.

26 Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (recast) (ECB/2014/60) (OJ L 91, 2.4.2015, p. 3) (General Documentation Guideline).

27 See Article 55 of the GD.

28 Eligible counterparties must be subject to at least one form of harmonised EU/EEA supervision by the competent authorities or a comparable supervisory standard in the case of credit institutions that are subject to non-harmonised supervision.

institutions to have access to MPOs.[29] The second and third requirements provide the Eurosystem with an initial layer of risk protection, supplemented by the collateral framework (see Chapter 5). Financial soundness requires an assessment by the Eurosystem, which takes into account prudential information, mainly on capital, leverage and liquidity ratios, where applicable.[30]

The Eurosystem may take discretionary measures and limit, suspend or exclude a counterparty from participation in MPOs on the grounds of prudence or following an event of default.[31]

Over the period examined in this report, some changes were introduced to the Eurosystem counterparty framework to further enhance its efficient and harmonised implementation. With respect to the possible default events listed in the GD, a single, harmonised list of default events was established in 2024.[32] In the same vein, harmonised procedures and remedies were defined.[33] Finally, in early 2026, the Eurosystem introduced specific provisions to reinstate access to MPOs for entities subject to a resolution scheme based on an open bank resolution strategy (Box C).

## 6.2 Counterparty-related developments

**The number of monetary policy eligible counterparties (MPECs) declined slightly over the reference period, mainly driven by the continued consolidation of the European banking system.** By the end of 2025, 1,792 credit institutions were classified as MPECs (out of 3,689 credit institutions in the euro area), with a net decrease of 69 counterparties compared with the end of 2023 (Chart 17). The decrease in MPECs was mainly due to mergers, fusions or transfers of activities that reshaped the European banking sector, followed by the voluntary withdrawal by counterparties from their status as MPECs and, to a lesser extent, by cessation of activity (e.g. withdrawals of banking licences, business closures and liquidations). In total, a gross decrease of 117 MPECs was observed during the reference period. At the same time, this decrease was partially offset by new requests to access MPOs over the reference period. As policy interest rates normalised and remained positive, incentives remained for credit institutions to access the Eurosystem's balance sheet. Nonetheless, the influx of new counterparties slowed compared with previous years (48 compared with 230 in 2022-23). Most of these new counterparties effectively used the deposit facility (DF) (37 counterparties), while only a few participated in standard operations (4), MLFs (2) or TARGET intraday credit (7).

29 Subsequent non-compliance of MRRs being subject to sanctions.

30 See Article 55a of the GD. In addition to the measures listed above, the financial soundness assessment may consider the methods used for in-kind recapitalisation when a credit institution is subject to it.

31 See Article 158 of the GD.

32 See Article 165 of the GD.

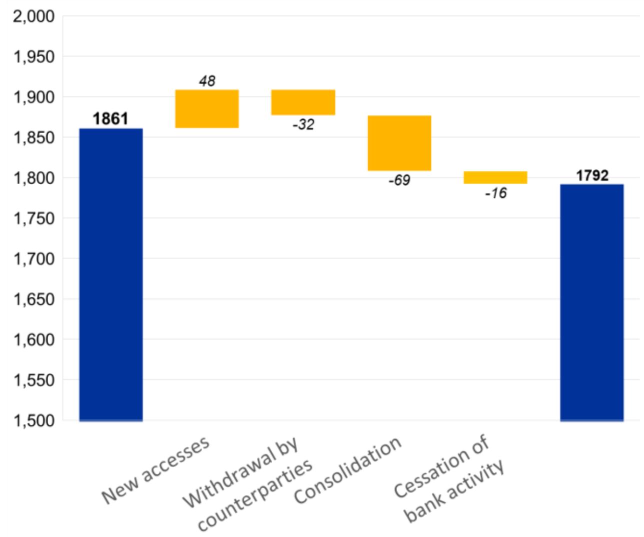
33 See Article 166 of the GD.

**Chart 17**

Developments in MPECs over 2024-25

**Drivers of the net decrease in the number of MPECs**

(number of MPECs)




Source: ECB.
Notes: “New accesses” refers either to new credit institutions or credit institutions that requested access to any Eurosystem operation in the period under review. “Withdrawal by counterparties” refers to credit institutions that voluntarily withdrew from Eurosystem operations. “Consolidation” refers to the net of merger and acquisition activity in terms of legal entities having access to Eurosystem operations. “Cessation of bank activity” refers to bank licence withdrawals, bank closures or liquidation.

## 6.3 MRRs

**MRRs oblige credit institutions to hold a defined amount of reserves with their respective NCBs.** The required amount is set at 1% of selected short-term liabilities, primarily deposits of households and firms and debt securities with maturities of up to two years. The requirement is applied on an average basis over a maintenance period, which usually lasts six or seven weeks.

**The ECB may impose sanctions on institutions that fail to comply with minimum reserve obligations. Since June 2023, sanctions have been published on the ECB’s website and remain publicly available for at least five years.**[34] Between maintenance period 1-2024 and maintenance period 7-2025, 63 cases of non-compliance relating to insufficient reserve holdings were recorded.[35] In addition, four sanctions were imposed following infringements related to MRRs

34 In accordance with Council Regulation (EC) No 2532/98 of 23 November 1998 concerning the powers of the European Central Bank to impose sanctions (OJ L 318, 27.11.1998, p. 4), Regulation (EU) 2023/1092 of the European Central Bank of 25 May 2023 (OJ L 146, 6.6.2023, p. 15), Council Regulation (EC) No 2531/98 of 23 November 1998 concerning the application of minimum reserves by the European Central Bank (OJ L 318, 27.11.1998, p. 1) and Regulation (EC) No 1745/2003 of the European Central Bank of 12 September 2003 on the application of minimum reserves (ECB/2003/9) (OJ L 250, 2.10.2003, p. 10).

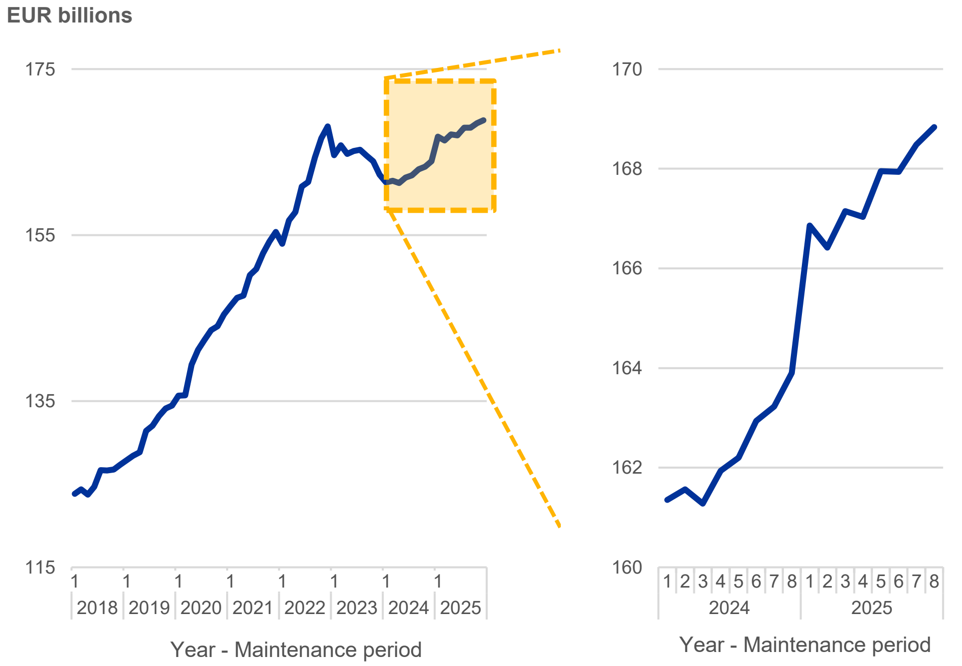
35 All sanctions of this nature are determined on a formula basis related to the amount of minimum reserves not held, in accordance with Decision (EU) 2021/1815 of the European Central Bank of 7 October 2021 on the methodology applied for the calculation of sanctions for non-compliance with the requirement to hold minimum reserves and related minimum reserve requirements (ECB/2021/45) (OJ L 367, 15.10.2021, p. 4).

falling under Article 7(3) of Council Regulation (EC) 2531/98 (breaches of reporting requirements or infringements in the calculation of the reserve base and/or the minimum reserves). In January 2025, the Governing Council approved a harmonised methodology for determining sanctions and for correcting remuneration errors related to such infringements arising from misreporting or incorrect calculations.[36] The decision aims to ensure consistent application across euro area institutions and adherence to the principle that a level of government must not take any action that exceeds that necessary to carry out its assigned tasks, as well as the principles of transparency and equal treatment.

**Aggregate minimum reserves increased slightly during 2024 and 2025, reversing the decline observed in 2023 (Chart 18).** Total required reserves rose from around €161.5 billion at the beginning of 2024 to approximately €168.8 billion by the end of 2025. As excess liquidity declined over the same period, required reserves increased as a share of total excess liquidity, from about 4.6% to 6.7%. The expansion of the reserve base was supported by a gradual recovery in deposit growth. Across jurisdictions, minimum reserves increased in most euro area countries (Chart 19). The largest relative increases were recorded in Lithuania (26%), Croatia (18%) and Estonia (17%). Finland and France saw modest declines, while Austria remained broadly unchanged.

**Chart 18**

Developments in minimum reserves over 2018-25




Source: ECB.

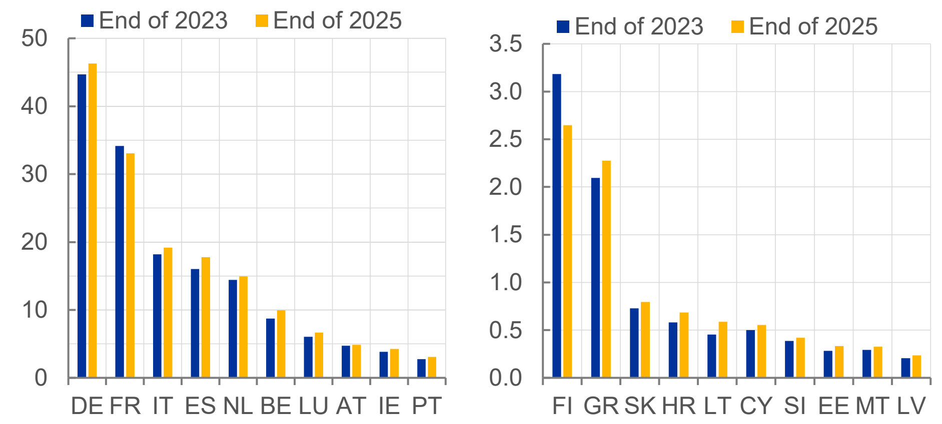
[36] See ECB (2025), "Decisions taken by the Governing Council of the ECB (in addition to decisions setting interest rates)", press release, January.

Notes: A reserve maintenance period (MP) is the time span over which euro area banks must, on average, meet their MRRs at the central bank. Data for the eighth MP of 2025, which ran from 23 December 2025 to 10 February 2026, exclude minimum reserves for Bulgarian banks, which became subject to MRR on 1 January 2026. The latest observation is for 31 December 2025.

**Chart 19**

Minimum reserves across Eurosystem jurisdictions

EUR billions




Source: ECB.
Note: “End of 2023” and “end of 2025” refer to data from the eighth maintenance periods of 2023 and 2025, respectively.

**Since September 2023, minimum reserves have been remunerated at 0%.** The decision was intended to enhance monetary policy transmission and improve the efficiency of policy implementation by reducing the overall amount of interest paid on reserves.[37] Credit institutions may absorb the associated opportunity cost of these reserves, pass it on to depositors through lower deposit rates, recoup it through other balance sheet items or adjust their reserve base.

**The €STR provides an indicator of potential adjustments in funding behaviour in response to changes in remuneration.** The remuneration of deposits that fall within the scope of the €STR, namely large overnight deposits from financial counterparties, are often easier for credit institutions to adjust because they carry lower margins and are less sticky than retail deposits. Developments in this market segment can therefore reflect attempts from banks to pass the cost to their counterparties by negotiating a lower interest rate at which they would be willing to borrow, or to lower their reserve base by turning overnight funds away. When banks hold reserves above their needs for payments and precautionary reasons, the €STR-DFR spread captures the fees banks charge for deposits that they, in turn, place with the central bank, reflecting the balance sheet cost of holding additional reserves.

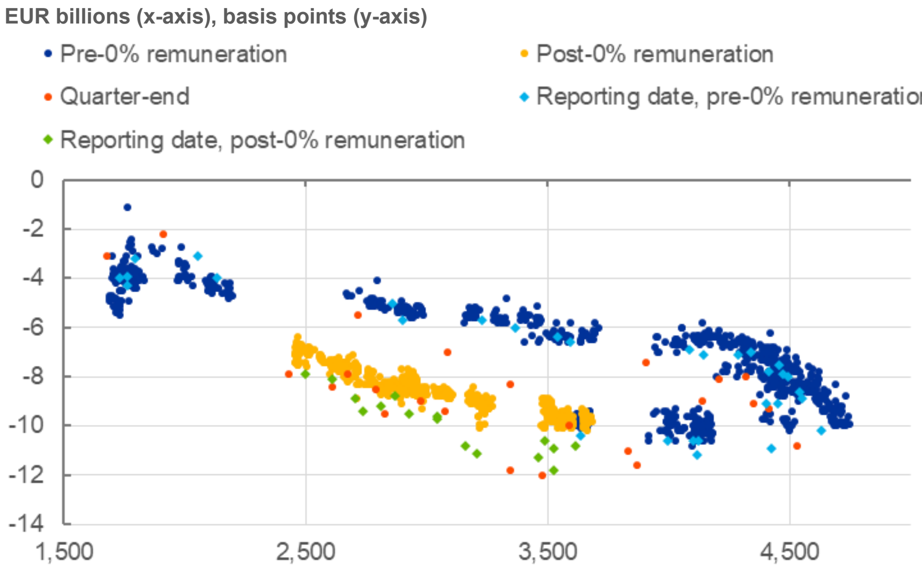
**The evidence does not suggest a structural widening of the €STR-DFR spread following the introduction of 0% remuneration (Chart 20).** While the spread remains around 3 basis points lower for a given level of excess liquidity than when the balance sheet was expanding, this wedge is a characteristic of the

37 See ECB (2023), “ECB adjusts remuneration of minimum reserves”, *press release*, 27 July.

broader normalisation phase since 2022 (yellow and blue dots in the Chart). There is, however, evidence of a temporary widening of the spread on certain reporting dates relevant for the calculation of minimum reserves, although of a small and declining magnitude (green and light blue dots in the Chart).

**Chart 20**

Relationship between €STR-DFR spread and excess liquidity

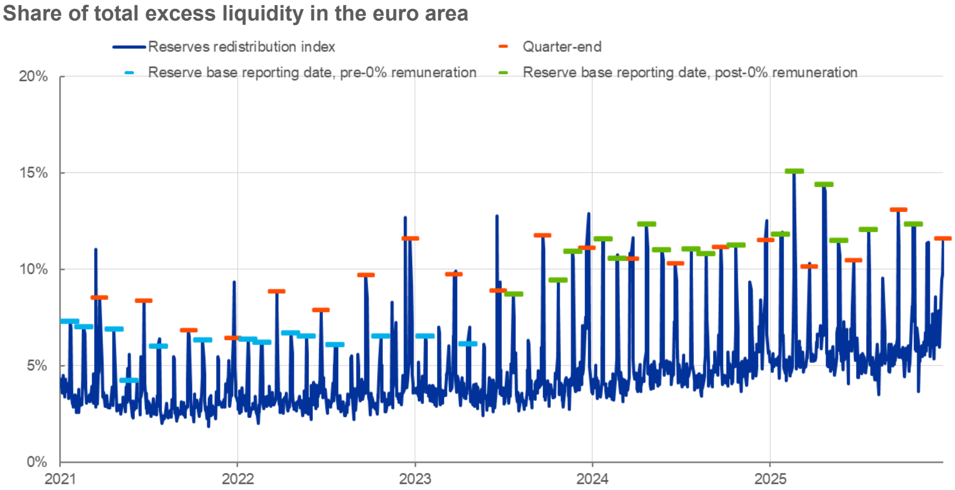



Source: ECB.
Notes: The chart shows the daily €STR-DFR spread against excess liquidity. The colours distinguish regular trading days before and after the introduction of zero remuneration on minimum reserves (September 2023) and quarter-ends and month-ends before and after the introduction of zero remuneration on minimum reserves. The data are sampled daily between 1 January 2018 and 30 November 2025.

**Although the impact on money market rates appears limited, there is evidence of more active reserve management by credit institutions in response to the 0% remuneration (Chart 21).** One indicator is the absolute one-day change in reserve balances relative to aggregate excess liquidity. This measure increased on reporting dates relevant for minimum reserve calculations after September 2023, suggesting more active balance sheet adjustments around those dates.

**Chart 21**

Daily redistribution of excess liquidity across euro area banks




Source: ECB.
Notes: The indicator shows the sum of absolute one-day changes in euro area banks' reserve holdings, as a share of aggregate excess liquidity, aggregated across banks. Aggregate changes in excess liquidity, for example due to a reduction in monetary policy portfolios, are not taken into account in the denominator, and are subtracted proportionately from banks in the numerator. Higher values signal stronger redistributions of reserves within the system. The coloured markers denote dates relevant for the calculation of minimum reserves (before and after the introduction of zero remuneration in September 2023) as well as quarter-ends. The latest observation is for 31 December 2025.

## Box C
### Access to Eurosystem MPOs for eligible counterparties subject to an open bank resolution scheme

The counterparty framework stipulates that access to MPOs by an eligible counterparty assessed as "failing or likely to fail" (FOLTF) by the relevant authorities[38] must be automatically limited on the grounds of prudence at the level prevailing at the time of the FOLTF declaration[39]. Such limitation would become effective on the day following the day of the FOLTF declaration, without affecting any further discretionary measures that the Eurosystem may take.

In early 2026, the Eurosystem introduced new provisions on the counterparty framework, applicable as of 30 March 2026, for the treatment of entities assessed as FOLTF for which a resolution scheme or resolution action based on an open bank resolution strategy has been adopted.[40] It prescribes the conditions to be fulfilled for an eligible counterparty to have the automatic limitation on MPOs partially lifted, restoring access to MPOs with a standard maturity below or equal to one week.[41] The restoration of access to these MPOs would provide an additional source of liquidity that could be used, if needed, by the entity in scope.

The partial lifting of the limitation on access to MPOs will take effect on the first business day following the adoption of a resolution scheme or resolution action, if all of the following conditions are met:

- The Eurosystem has been informed by the resolution authority about the upcoming resolution no later than 48 hours before the business day on which the limitation is expected to be lifted;
- The Eurosystem has received written confirmation from the resolution authority on the adoption of the resolution scheme or resolution action and its entry into force;
- The counterparty is subject to an open bank resolution scheme;
- The Eurosystem has received written confirmation from the competent authority on the compliance of the counterparty with the own funds requirements[42], taking into account the adoption and entry into force of the resolution scheme or resolution action.

Following the partial lifting of the limitation, the Eurosystem may apply risk control and/or risk mitigation measures[43] to the concerned counterparty, if it deems this necessary, including but not limited to the following:

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38 The conditions for the FOLTF declaration are laid down in Article 18(4)(a) to (d) of Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund (OJ L 225, 30.7.2014, p. 1) or national legislation implementing Article 32(4)(a) to (d) of Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (OJ L 173, 12.6.2014, p. 190).

39 See Article 158(4) of the GD.

40 See ECB (2026), "ECB amends monetary policy implementation guidelines", 27 January.

41 This includes operations where the indicative calendar for these operations provides for an exceptionally extended maturity.

42 This refers to the own funds requirements laid down in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (OJ L 176, 27.6.2013, p. 1) on an individual and/or consolidated basis.

43 See Article 158(4b) of the GD.

- A cap on the liquidity amount provided via MPOs with a standard maturity of one week or shorter;
- A limitation on the mobilisation of retained ABSs and own-use covered bonds or other assets considered illiquid by the Eurosystem as collateral;
- Compliance with additional own funds requirements as determined by the competent authority.

The Eurosystem may lift the limitation in full if the competent authority provides the prudential information (referred to in Article 55a(1) GD) no later than 12 weeks after the adoption of the resolution scheme or resolution action.

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**Acknowledgements**
This occasional paper was written by a task force of NCB and ECB staff:

**Editors**
**Soizic Weber**
European Central Bank, Frankfurt am Main, Germany; email: soizic.weber@ecb.europa.eu

**Koen Oosterhek**
European Central Bank, Frankfurt am Main, Germany; email: koen.oosterhek@ecb.europa.eu

**Tomás Carrera de Souza**
European Central Bank, Frankfurt am Main, Germany; email: tomas.carrera_de_souza@ecb.europa.eu

**Contributors**
**Ioana Alexopoulou**
European Central Bank, Frankfurt am Main, Germany; email: ioana.alexopoulou@ecb.europa.eu

**Samuel Bieber**
European Central Bank, Frankfurt am Main, Germany; email: samuel.bieber@ecb.europa.eu

**Calogero Brancatelli**
European Central Bank, Frankfurt am Main, Germany; email: calogero.brancatelli@ecb.europa.eu

**Carmen Camacho**
Banco de Portugal, Lisbon, Portugal; email: cmcamacho@bportugal.pt

**Magdalena Christians**
Deutsche Bundesbank, Frankfurt am Main, Germany; email: magdalena.christians@bundesbank.de

**Veronique Dalibot**
Banque de France, Paris, France; email: veronique.dalibot@banque-france.fr

**Annalisa De Nicola**
Banca d'Italia, Rome, Italy; email: annalisa.denicola@bancaditalia.it

**Stefan Grossheim**
Deutsche Bundesbank, Frankfurt am Main, Germany; email: stefan.grossheim@bundesbank.de

**Aliki Kartapani**
Bank of Greece, Athens, Greece; email: akartapani@bankofgreece.gr

**Floris van Loo**
De Nederlandsche Bank, Amsterdam, The Netherlands; email: f.t.van.loo@dnb.nl

**Sophie Mages**
Banque de France, Paris, France; email: sophie.mages@banque-france.fr

**Ross James Murphy**
European Central Bank, Frankfurt am Main, Germany; email: ross_james.murphy@ecb.europa.eu

**Angeles Pinilla**
Banco de España, Madrid, Spain; email: angeles.pinilla@bde.es

**David Ramírez Díaz**
European Central Bank, Frankfurt am Main, Germany; email: david.ramirez_diaz@ecb.europa.eu

**Nicolas Röhl**
Deutsche Bundesbank, Frankfurt am Main, Germany; email: nicolas.roehl@bundesbank.d

**Olivier Vergote**
European Central Bank, Frankfurt am Main, Germany; email: olivier.vergote@ecb.europa.eu

**Additional contributors**
In addition to the main authors, the following staff members at the ECB provided useful comments and reviewed the report:

**Lorenzo Burlon**
European Central Bank, Frankfurt am Main, Germany; email: lorenzo.burlon@ecb.europa.eu

**Alessandro Calza**
European Central Bank, Frankfurt am Main, Germany; email: alessandro.calzo@ecb.europa.eu

**Adriana Grasso**
European Central Bank, Frankfurt am Main, Germany; email: adriana.grasso@ecb.europa.eu

**Elke Heinle**
European Central Bank, Frankfurt am Main, Germany; email: elke.heinle@ecb.europa.eu

**Dorian Henricot**
European Central Bank, Frankfurt am Main, Germany; email: dorian.henricot@ecb.europa.eu

**Lorenzo Isgro**
European Central Bank, Frankfurt am Main, Germany; email: lorenzo.isgro@ecb.europa.eu

**Sujit Kapadia**
European Central Bank, Frankfurt am Main, Germany; email: sujit.kapadia@ecb.europa.eu

**Danielle Kedan**
European Central Bank, Frankfurt am Main, Germany; email: danielle.kedan@ecb.europa.eu

**Angelika Lagerblom**
European Central Bank, Frankfurt am Main, Germany; email: angelika.lagerblom@ecb.europa.eu

**Frankziska Maruhn**
European Central Bank, Frankfurt am Main, Germany; email: franziska.maruhn@ecb.europa.eu

**Anamaria Piloiu**
European Central Bank, Frankfurt am Main, Germany; email: anamaria.piloiu@ecb.europa.eu



Postal address 60640 Frankfurt am Main, Germany
Telephone +49 69 1344 0
Website www.ecb.europa.eu



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