



**BANKING & FINANCE, CAPITAL MARKETS PRACTICE**

## ECB announces package of collateral easing measures as a response to the coronavirus emergency

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# ECB announces package of collateral easing measures as a response to the coronavirus emergency

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The Governing Council of the European Central Bank (ECB) adopted an **additional package of temporary collateral easing measures** to facilitate the availability of eligible collateral for Eurosystem counterparties to participate in liquidity providing operations.

At the same time the Eurosystem is increasing its risk tolerance to support the provision of credit via its refinancing operations, particularly by lowering collateral valuation haircuts for all assets consistently.

The main measures, which are linked to the duration of the Pandemic Emergency Purchase Program (PEPP), are the following:

- Facilitation of an **increase in bank funding** against loans to corporates and households, by an expansion of the **use of credit claims**. In particular the expansion of Additional Credit Claims framework will increase the possibility to an enlargement of the scope of eligible credit claims for counterparties by the Bank of Greece;
- **lowering of the level of the non-uniform minimum size threshold for domestic credit claims to EUR 0 from EUR 25,000** previously to facilitate the

mobilization as collateral of loans from small corporate entities;

- **increase**, from 2.5% to 10%, the **maximum share of unsecured debt instruments** issued by any single other banking group in a credit institution's collateral pool;
- **waiver of the minimum credit quality requirement** for marketable debt instruments issued by the **Hellenic Republic** for acceptance as collateral in Eurosystem credit operations; and
- **temporary increase of the risk tolerance level in credit operations** through a general reduction of collateral valuation haircuts by a fixed factor of 20%.

Despite the fact that such measures are temporary in nature to tackle the adverse effects from the outbreak of pandemic and hence are linked to the duration of the PEPP, they are expected to provide stabilization to the entire financial Eurosystem and especially insofar as Greece is concerned, will allow the necessary breathing space for Greek banks.

In practical terms, the extension of the waiver to GGBs will allow **Greek banks** to access **liquidity with significantly lower**

**costs**, while the Greek Government will be able to offer more easily bonds to commercial banks.

The measures are expected to be re-assessed before the end of 2020 with a view to extend some of such measures, if needed, under the prevailing circumstances at that time.

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