

GUIDELINE (EU) 2016/2300 OF THE EUROPEAN CENTRAL BANK**of 2 November 2016****amending Guideline ECB/2014/31 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral (ECB/2016/33)**

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

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

Having regard to the Statute of the European System of Central Banks and of the European Central Bank, and in particular the first indent of Article 3.1 and Articles 5.1, 12.1, 14.3 and 18.2 thereof,

Whereas:

- (1) All eligible assets for Eurosystem credit operations are subject to specific risk control measures in order to protect the Eurosystem against financial losses in circumstances where its collateral has to be realised due to an event of default of a counterparty. As a result of the regular review of the Eurosystem risk control framework, several adjustments in respect of asset-backed securities must be made in order to ensure adequate protection.
- (2) Therefore, Guideline ECB/2014/31 of the European Central Bank ⁽¹⁾ should be amended accordingly,

HAS ADOPTED THIS GUIDELINE:

Article 1

Amendments to Guideline ECB/2014/31

Guideline ECB/2014/31 is amended as follows:

1. Article 3 is amended as follows:

(a) paragraph 2 is replaced by the following:

‘2. ABS referred to in paragraph 1 that do not have two public credit ratings of at least credit quality step 2 in the Eurosystem harmonised rating scale in accordance with Article 82(1)(b) of Guideline (EU) 2015/510 of the European Central Bank (ECB/2014/60) ^(*) shall be subject to a valuation haircut that depends on their weighted average life as detailed in Annex IIa.

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

(b) the following paragraph 2a is inserted:

‘2a. The weighted average life of the senior tranche of an ABS shall be estimated as the expected weighted average time remaining until repayment has been made for that tranche. For retained mobilised ABS, the calculation of the weighted average life shall assume that issuer call options will not be exercised.’;

(c) paragraph 3 is deleted;

(d) paragraph 5 is replaced by the following:

‘5. An NCB may accept as collateral for Eurosystem monetary policy operations ABS whose underlying assets include residential mortgages or loans to SMEs or both and which do not fulfil the credit assessment requirements under Chapter 2 of Title II of Part Four of Guideline (EU) 2015/510 (ECB/2014/60) and the

⁽¹⁾ Guideline ECB/2014/31 of the European Central Bank of 9 July 2014 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral and amending Guideline ECB/2007/9 (OJ L 240, 13.8.2014, p. 28)

requirements referred to in points (a) to (d) of paragraph 1 and in paragraph 4, but which otherwise comply with all eligibility criteria applicable to ABS pursuant to Guideline (EU) 2015/510 (ECB/2014/60) and have two public credit ratings of at least credit quality step 3 in the Eurosystem harmonised rating scale. Such ABS shall be limited to those issued before 20 June 2012 and shall be subject to a valuation haircut that depends on their weighted average life as detailed in Annex IIa.;

(e) paragraph 6 is deleted;

(f) in paragraph 7, point (g) is replaced by the following:

‘(g) “servicing continuity provisions” means provisions in the legal documentation of an asset-backed security that consist of either back-up servicer provisions or back-up servicer facilitator provisions (if there are no back-up servicer provisions). In the case of back-up servicer facilitator provisions, a back-up servicer facilitator should be nominated and the facilitator should be mandated to find a suitable back-up servicer within 60 days of the occurrence of a trigger event in order to ensure timely payment and servicing of the asset-backed security. These provisions shall also include servicer replacement triggers for the appointment of a back-up servicer, which can be rating-based and/or non-rating-based, e.g. non-performance of obligations by the current servicer. In the case of back-up servicer provisions, the back-up servicer shall not have close links to the servicer. In the case of back-up servicer facilitator provisions, there shall not be close links between each of the servicer, the back-up servicer facilitator and the issuer account bank at the same time.’;

(g) in paragraph 7, the following points (h) and (i) are inserted:

‘(h) “close links” has the meaning given in Article 138(2) of Guideline (EU) 2015/510 (ECB/2014/60);

(i) “retained mobilised ABS” means ABS used in a percentage greater than 75 % of the outstanding nominal amount by a counterparty that originated the ABS or by entities with close links to the originator.’;

2. the Annex to this Guideline is inserted as Annex IIa.

Article 2

Taking effect and implementation

1. This Guideline shall take effect on the day of its notification to the national central banks of the Member States whose currency is the euro.

2. The national central banks of the Member States whose currency is the euro shall take the necessary measures to comply with this Guideline and apply them from 1 January 2017. They shall notify the ECB of the texts and means relating to those measures by 5 December 2016 at the latest.

Article 3

Addressees

This Guideline is addressed to all Eurosystem central banks.

Done at Frankfurt am Main, 2 November 2016.

The President of the ECB

Mario DRAGHI

ANNEX

ANNEX IIa

Valuation haircut levels applied to asset-backed securities (ABS) eligible under Article 3(2) of this Guideline

Weighted Average Life	Valuation haircut
0-1	6,0
1-3	9,0
3-5	13,0
5-7	15,0
7-10	18,0
> 10	30,0