

Information issued on 29 May 2020 regarding the rules for the use of eligible collateral

In our letters dated 17 April 2020 and 15 May 2020¹, we informed you of various temporary changes to the General Terms and Conditions of the Deutsche Bundesbank regarding collateral for monetary policy refinancing operations. These changes affected the rules for the use of uncovered bank bonds, amongst others. As we have since received a number of enquiries on this matter, we would like to provide some information on the regulations that are currently in place.

According to Section V Subsection 3(2a) of the General Terms and Conditions of the Deutsche Bundesbank, the following applies:

A counterparty may only make limited use of uncovered bank bonds as collateral which were issued by the same issuer or the same issuer group. This restriction shall also apply to debt securities issued by a non-bank issuer from the same issuer group.

The collateral value of the debt securities within the meaning of sentences 1 and 2 may not exceed 10% of the collateral value of the total collateral that the counterparty holds at the Bank.

This does not include debt securities

- (i) whose collateral value does not in the aggregate exceed €50 million per issuer group,*
- (ii) that are guaranteed by a public sector entity with the right to levy taxes if the guarantee meets at least the requirements set out in Article 114 of Guideline ECB/2014/60,*
- (iii) whose issuers formed an issuer group or merged after the bonds were submitted, but only for a maximum of six months after this event has occurred,*
- (iv) whose issuers are neither credit institutions nor have close links to a credit institution within the meaning of paragraph (5), or*
- (v) whose issuers are agencies, multilateral development banks or international organisations.²*

Members of an issuer group within the meaning of this paragraph (2a) are credit institutions and legal persons that have issued debt securities within the meaning of sentences 1 and 2 and are interlinked as described in paragraph (5).

¹ Date subsequently changed on 31 May 2022 (originally 20 May 2020)

² Agencies, multilateral development banks or international organisations within the meaning of these Terms and Conditions solely comprise those institutions specified in the latest version of the list of recognised agencies or the list of recognised international and supranational institutions. The lists can be found on the ECB's website at www.ecb.int.

Please note the following:

1. The submission limit refers to collateral values and therefore not nominal values.³ Furthermore, we would like to remind you that the limit relates only to uncovered bank bonds from the same issuer or the same issuer group.
2. The measures approved by the Governing Council of the European Central Bank do not include any changes to the general eligibility requirements for uncovered bank bonds. This means that uncovered bank bonds still need to be senior preferred bonds in order to be eligible.⁴
3. As before, neither the counterparties' own issues nor issues guaranteed by the respective counterparty may be submitted. Please refer to Section V Subsection 3(2) of the General Terms and Conditions of the Deutsche Bundesbank, which also sets out the permissible exceptions.
4. Your total collateral comprises all of the marketable and non-marketable assets that you have submitted.

Specifically, this means:

- If **the collateral value of your total collateral is less than €500 million**, you can therefore – as before – submit eligible uncovered bank bonds with a collateral value of up to €50 million per issuer group. The actual collateral value of your total collateral is immaterial in this case.
- If **the collateral value of your total collateral is more than €500 million**, the submission limit accordingly amounts to 10% of the collateral value of your total collateral.

Please note that, in the event of any infringements of, inter alia, the rules for the use of eligible collateral, sanctions may be imposed following consultation with the ECB. These sanctions may consist of contractual penalties and/or, in the event of repeated infringements, exclusion from access to monetary policy operations (Section V Subsection 3(7) in conjunction with Section V Subsection 1(2) of the General Terms and Conditions of the Deutsche Bundesbank).

³ See also Section V Subsection 4 of the General Terms and Conditions of the Deutsche Bundesbank (Valuation of underlying assets, haircuts and margins).

⁴ The European Central Bank provides daily updates on which debt securities are eligible as collateral, which can be found on its homepage: <https://www.ecb.europa.eu/paym/html/midEA.en.html>

Please bear in mind that, as announced in our letter dated 15 May 2020¹, this increase in the limit on the use of uncovered bank bonds is a temporary measure with an end date of 29 September 2021.

If you have any questions, please do not hesitate to contact our staff by telephone by calling the collateral hotline at +49 (0)69 9566 2599 or by email at sicherheitenliste@bundesbank.de.