

DIRECTORATE GENERAL SECRETARIAT

Mr Tobias Pfeffer

ask+request-5713-1ca966ec@asktheeu.org

3 January 2019

Reference: LS/PT/2018/92

Request for public access to ECB documents

Dear Mr Pfeffer,

We refer to your application of 3 July 2018, as specified further on 31 October 2018, requesting access to documents reflecting the decision, regarding the ECB collateral rules, to explicitly communicate minimum rating requirements for government bonds pledged as collateral, namely:

- (a) *Annex 6 ("The Minimum Credit Rating Standard for Eligible Assets") of the Manual on Internal ESCB Procedures for the Monetary Policy Framework in Stage Three of EMU, as adopted by the ECB's Governing Council on 11 September 1998;*
- (b) *the decision of the Governing Council of 3 February 2005 confirming the application of the single A credit rating threshold to Eurosystem collateral.*

On 22 November 2018, in line with Article 7(3) of Decision ECB/2004/3 on public access to ECB documents¹ and owing to internal procedural steps, the ECB extended the stipulated time limit for reply by an additional 20 working days.

Having carefully examined your request in line with Decision ECB/2004/3, we have identified two ECB documents of relevance to your application, i.e. (1) decision point (a) and the relevant part of the decision point (b) of item 8(c) of the minutes of the 159th meeting of the Governing Council of the European Central Bank on 3 February 2005; (2) Annex 6 ("The Minimum Credit Rating Standard for Eligible Assets") of the Manual on Internal ESCB Procedures for the Monetary Policy Framework in Stage Three of EMU, as adopted by the Governing Council on 1 December 1998 (the final version of the document you have requested).

Following a thorough assessment of your request in accordance with the requirements under Decision ECB/2004/3, the ECB considers that none of the exceptions listed in Article 4 of the Decision apply. Therefore the requested documents can be disclosed to you in full.

¹ Decision ECB/2004/3 of 4 March 2004 on public access to European Central Bank documents (OJ L 80, 18.3.2004, p. 42), as last amended by Decision ECB/2015/1 (OJ L 84, 28.3.2015, p. 64).

As was explained by the then ECB President Jean-Claude Trichet at the press conference Q&A session on December 1, 2005,² the decision on collateral was implemented when the euro was first introduced. It was subsequently reflected in the General Documentation of 2006, Section 6.3.1, as "The Eurosystem's benchmark for establishing its minimum requirement for high credit standards (its 'credit quality threshold') is defined in terms of a 'single A' credit assessment"³. In the current version of the General Documentation, the rating requirement is set in Article 59(3)(b): "All eligible assets for Eurosystem credit operations shall comply, as a minimum, with a credit quality requirement corresponding to credit quality step 3"⁴.

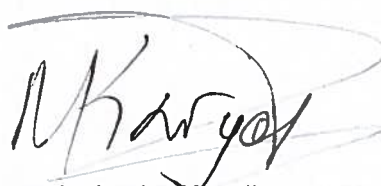
As was further explained by Mr Trichet at the same press conference, the ECB had decided, in response to calls by parts of the economists' community for haircuts to be linked to Stability and Growth Pact implementation, that it was not appropriate to invent a new sanction that would apply, in the case of non-compliance with the Stability and Growth Pact, via its collateral mechanism. This decision, confirming (a) that the collateral and risk control framework for Eurosystem monetary policy and payment system operations would not include compliance with the Stability and Growth Pact as an additional criterion for eligibility or for additional risk management measures; and (b) the single A credit rating threshold applied to Eurosystem collateral, was adopted by the ECB's Governing Council on 3 February 2005.

Please note that, in line with Article 10 of Decision ECB/2004/3, "*Documents released in accordance with this Decision shall not be reproduced or exploited for commercial purposes without the ECB's prior specific authorisation. The ECB may withhold such authorisation without stating reasons*".

Yours sincerely,



Pedro Gustavo Teixeira
Director General Secretariat



Marguerite-Louise Karydi
Head of the Compliance and Governance Division

Encl.

² Available at <https://www.ecb.europa.eu/press/pressconf/2005/html/is051201.en.html>.

³ See also footnote 23, which explains that "'Single A' means a minimum long-term rating of 'A-' by Fitch or Standard & Poor's, or 'A3' by Moody's". The 2006 General Documentation is available at <https://www.ecb.europa.eu/pub/pdf/other/gendoc2006en.pdf>.

⁴ Guideline (EU) 2015/510 of the ECB of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60) OJ L 91, 2.4.2015, p. 3, as amended.