



EUROPEAN CENTRAL BANK
EUROSYSTEM

EN

ECB-PUBLIC

GUIDELINE (EU) [YYYY/XX*] OF THE EUROPEAN CENTRAL BANK

of 2 November 2016

amending Guideline (EU) 2015/510 on the implementation of the Eurosystem monetary policy framework

(ECB/2016/31)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union, and in particular the first indent of 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, Articles 9.2, 12.1, 14.3, 18.2 and the first paragraph of Article 20 thereof,

Whereas:

- (1) Achieving a single monetary policy entails defining the tools, instruments and procedures to be used by the Eurosystem, which consists of the European Central Bank (ECB) and the national central banks of those Member States whose currency is the euro (hereinafter the 'NCBs'), in order to implement such a policy in a uniform manner throughout the Member States whose currency is the euro.
- (2) For the purpose of monetary policy operations, the Eurosystem may conduct either fixed-rate or variable-rate tender procedures. Guideline (EU) 2015/510 of the European Central Bank (ECB/2014/60)¹ should be amended to incorporate some necessary technical and editorial refinements relating to the operational steps of tender procedures.
- (3) The Eurosystem considers it necessary to amend the eligibility criteria and to adjust the risk control measures applicable to senior unsecured debt instruments issued by credit institutions or investment firms or their closely linked entities within its collateral framework to take into account

* This number will be allocated by the Publications Office of the European Union when the Guideline is published in the Official Journal.

¹ Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (General Documentation Guideline) (ECB/2014/60) (OJ L 91, 2.4.2015 p. 3).

the implementation of Directive 2014/59/EU of the European Parliament and the Council² in Member States.

- (4) The Eurosystem has developed a single framework for assets eligible as collateral so that all Eurosystem credit operations are carried out in a harmonised manner by means of the implementation of this Guideline in all Member States whose currency is the euro. The Governing Council considers it necessary to introduce some changes to the Eurosystem's collateral framework to allow the inclusion of coupon structures with potential negative cash flows for marketable assets.
- (5) The Eurosystem requires the provision of comprehensive and standardised loan-level data on the pool of cash-flow generating assets backing asset-backed securities. Loan-level data must be submitted by the relevant parties to a loan-level data repository designated by the Eurosystem. Eurosystem requirements for designating loan-level data repositories, as well as the actual designation process, need to be further clarified in the interest of transparency.
- (6) With the aim of safeguarding the adequacy of Eurosystem collateral, the eligibility criteria for credit claims, and, in particular, the criterion on restrictions to realisation should be amended. NCBs should take specific measures to exclude or significantly mitigate set-off risk when they accept credit claims as collateral. Credit claims originated before 1 January 2018 which have not been subject to those measures may be mobilised as collateral until 31 December 2019 provided that all other eligibility criteria are fulfilled.
- (7) In order to protect the Eurosystem against the risk of financial losses in the event of a counterparty's default, eligible assets mobilised as collateral for Eurosystem credit operations should be subject to the risk control measures laid down in Title VI of Part Four of Guideline (EU) 2015/510 (ECB/2014/60). As a result of the regular review of the Eurosystem risk control framework, the Governing Council considers that several adjustments should be made.
- (8) Eligible assets are required to meet the Eurosystem's credit quality requirements specified in the Eurosystem credit assessment framework (ECAAF), which lays down the procedures, rules and techniques to ensure that the Eurosystem's requirement for high credit standards for eligible assets is maintained. Following a review of the ECAAF rules, specific changes should be made, in particular in relation to the general acceptance criteria of external credit assessment institutions (ECAIs) and additional operational requirements for ECAIs with respect to covered bonds.
- (9) Several minor technical amendments need to be made in the interests of clarity, for example with regard to the terminology of covered bonds.
- (10) Therefore, Guideline (EU) 2015/510 (ECB/2014/60) should be amended accordingly,

² 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 and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (OJ L 173, 12.6.2014, p. 190).

HAS ADOPTED THIS GUIDELINE:

Article 1

Amendments

Guideline (EU) 2015/510 (ECB/2014/60) is amended as follows:

1. Article 2 is amended as follows:

(a) point (12) is replaced by the following:

‘(12) “covered bond” means a debt instrument that is dual recourse: (a) directly or indirectly to a credit institution; and (b) to a dynamic cover pool of underlying assets, and for which there is no tranching of risk.’;

(b) the following point (46a) is inserted:

‘(46a) “investment firm” means an investment firm within the meaning of point (2) of Article 4(1) of Regulation (EU) No 575/2013.’;

(c) point (48) is replaced by the following:

‘(48) “jumbo covered bond” means a covered bond with an issuing volume of at least EUR 1 billion, for which at least three market-makers provide regular bid and ask quotes.’;

(d) point (71) is replaced by the following:

‘(71) “other covered bonds” means structured covered bonds or *multi cédulas*’;

(e) point (74) is replaced by the following:

‘(74) “public credit rating” means a credit rating which is: (a) issued or endorsed by a credit rating agency registered in the Union that is accepted as an external credit assessment institution by the Eurosystem; and (b) disclosed publicly or distributed by subscription.’;

(f) point (88) is replaced by the following:

‘(88) “structured covered bond” means a covered bond, with the exception of *multi cédulas*, which is not issued in accordance with the requirements under Article 52(4) of Directive 2009/65/EC’;

(g) point (94) is replaced by the following:

‘(94) “UCITS compliant covered bond” means a covered bond which is issued in accordance with the requirements under Article 52(4) of Directive 2009/65/EC of the European Parliament and the Council (*).’;

(*) Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulation and administrative

provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ L 302, 17.11.2009, p.32). ’;

2. Article 25 is amended as follows:

(a) in paragraph 1, Table 4 is replaced by the following:

‘Table 4

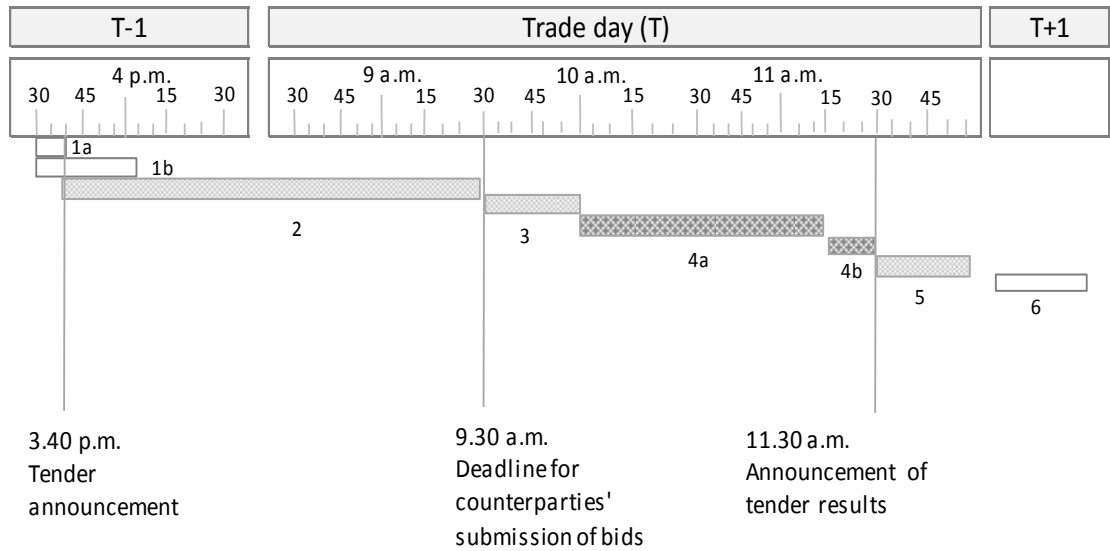
Operational steps for tender procedures

- | | |
|--------|--|
| Step 1 | Tender announcement |
| | (a) ECB public announcement |
| | (b) NCBs’ public announcement and direct announcement to individual counterparties (if deemed necessary) |
| Step 2 | Counterparties' preparation and submission of bids |
| Step 3 | Compilation of bids by the Eurosystem |
| Step 4 | Tender allotment and announcement of tender results |
| | (a) ECB tender allotment decision |
| | (b) ECB public announcement of the allotment results |
| Step 5 | Certification of individual allotment results |
| Step 6 | Settlement of the transactions’; |

(b) in paragraph 2, Tables 5 and 6 are replaced by the following:

Table 5

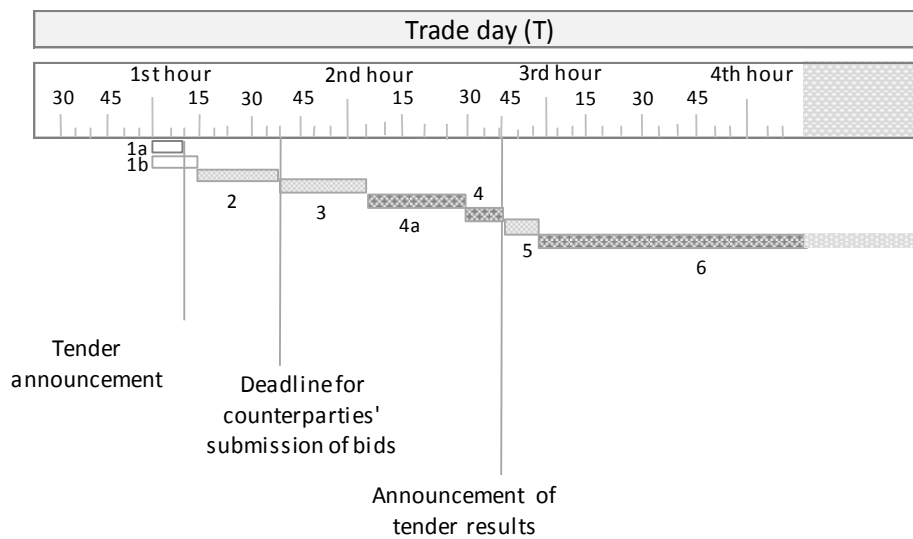
Indicative time frame for the operational steps in standard tender procedures (times are stated in Central European Time (1))



(1) Central European Time (CET) takes account of the change to Central European Summer Time.

Table 6

Indicative time frame for the operational steps in quick tender procedures (times are stated in CET)



1,

3. in Article 30, paragraphs 1 and 2 are replaced by the following:
 - '1. Standard tender procedures shall be publicly announced by the ECB in advance. In addition, the NCBs may announce standard tender procedures publicly and directly to counterparties, if deemed necessary.
 2. Quick tender procedures may be publicly announced by the ECB in advance. In quick tender procedures that are publicly announced in advance, the NCB may contact the selected counterparties directly if deemed necessary. In quick tender procedures that are not announced publicly in advance, the selected counterparties shall be contacted directly by the NCBs.';
4. in Article 43, paragraph 1 is replaced by the following:
 - '1. The ECB shall publicly announce its tender allotment decision with respect to the tender results. In addition, the NCBs may announce the ECB's tender allotment decision publicly and directly to counterparties if they deem it necessary.';
5. in Article 55a, paragraph 3 is replaced by the following:
 - '3. In the case of branches, the information reported under paragraph 1 shall relate to the institution to which the branch belongs.';
6. in Article 61, paragraph 1 is replaced by the following:
 - '1. The ECB shall publish an updated list of eligible marketable assets on its website, in accordance with the methodologies indicated on its website and shall update it every day on which TARGET2 is operational. Marketable assets included on the list of eligible marketable assets become eligible for use in Eurosystem credit operations upon their publication on the list. As an exception to this rule, in the specific case of short-term debt instruments with same-day value settlement, the Eurosystem may grant eligibility from the date of issue. Assets assessed in accordance with Article 87(3) shall not be published on this list of eligible marketable assets.';
7. in Article 63, paragraph 1 is replaced by the following:
 - '1. In order to be eligible, debt instruments shall have either of the following coupon structures until final redemption:
 - (a) fixed, zero or multi-step coupons with a pre-defined coupon schedule and pre-defined coupon values; or
 - (b) floating coupons that have the following structure: coupon rate = (reference rate * I) ± x, with $f \leq \text{coupon rate} \leq c$, where:
 - (i) the reference rate is only one of the following at a single point in time:
 - a euro money market rate, e.g. Euribor, LIBOR or similar indices,
 - a constant maturity swap rate, e.g. CMS, EIISDA, EUSA,

- the yield of one or an index of several euro area government bonds that have a maturity of one year or less,
 - a euro area inflation index;
- (ii) f (floor), c (ceiling), l (leveraging/deleveraging factor) and x (margin) are, if present, numbers that are either pre-defined at issuance, or may change over time only according to a path predefined at issuance, where l is greater than zero throughout the entire lifetime of the asset. For floating coupons with an inflation index reference rate, l shall be equal to one.';

8. the following Article 77a is inserted:

'Article 77a

Restrictions on investments for asset-backed securities

Any investments of monies standing to the credit of the issuer's or of any intermediary SPV's bank accounts under the transaction documentation shall not consist, in whole or in part, actually or potentially, of tranches of other ABSs, credit-linked notes, swaps or other derivative instruments, synthetic securities or similar claims.';

9. in Article 73, paragraph 7 is deleted;

10. in Article 78, paragraph 1 is replaced by the following:

'1. Comprehensive and standardised loan-level data on the pool of cash-flow generating assets backing the ABSs shall be made available in accordance with the procedures set out in Annex VIII, which include the information on the required data quality score and the requirements for the Eurosystem's designation of loan-level data repositories. In its eligibility assessment, the Eurosystem takes account of: (a) any failure to deliver data, and (b) how frequently individual loan-level data fields are found not to contain meaningful data.';

11. in Section 2, Chapter 1 of Title II of Part Four the following Subsection 4 is inserted:

'Subsection 4

Specific eligibility criteria for certain unsecured debt instruments

Article 81a

Eligibility criteria for certain unsecured debt instruments

1. To be eligible for Eurosystem credit operations, unsecured debt instruments issued by credit institutions or investment firms, or by their closely-linked entities as defined in Article 138(2), shall comply with the general eligibility criteria relating to all types of marketable assets laid down in Section 1, with the exception of the requirement laid down in Article 64 to the extent that the unsecured debt instrument is subject to statutory subordination.
2. For the purposes of this subsection, statutory subordination means the subordination, based on a statutory framework applicable to the issuer, of an unsecured debt instrument that is not

subject to subordination pursuant to the terms and conditions of the debt instrument, i.e. contractual subordination.’;

12. in Article 83, point (a) is replaced by the following:

‘(a) An ECAI issue rating: this rating refers to an ECAI credit assessment assigned to either an issue or, in the absence of an issue rating from the same ECAI, the programme or issuance series under which an asset is issued. An ECAI assessment for a programme or issuance series shall only be relevant if it applies to the particular asset in question and is explicitly and unambiguously matched with the asset’s ISIN code by the ECAI, and a different issue rating from the same ECAI does not exist. For ECAI issue ratings, the Eurosystem shall make no distinction in respect of the original maturity of the asset.’;

13. in Article 104, the following paragraph 3a is inserted:

‘3a. From 1 January 2018, NCBs shall employ a mechanism to ensure that set-off risk has been excluded or significantly mitigated when they accept as collateral credit claims originated after that date. Credit claims originated before 1 January 2018 which have not been subject to that mechanism may be mobilised as collateral until 31 December 2019 provided that all other eligibility criteria are fulfilled.’;

14. Article 120 is amended as follows:

(a) paragraphs 1 and 2 are replaced by the following:

‘1. For the purposes of the ECAF, the general acceptance criteria for ECAs shall be the following:

(a) ECAs shall be registered by the European Securities and Markets Authority in accordance with Regulation (EC) No 1060/2009.

(b) ECAs shall fulfil operational criteria and provide relevant coverage so as to ensure the efficient implementation of the ECAF. In particular, the use of an ECAI credit assessment is subject to the availability to the Eurosystem of information on these assessments, as well as information for the comparison and the assignment, i.e. mapping of the assessments to the Eurosystem’s credit quality steps and for the purposes of the performance monitoring process under Article 126.

2. The Eurosystem reserves the right to decide whether to initiate an ECAF acceptance procedure upon request from a credit rating agency (CRA). In making its decision, the Eurosystem shall take into account, among other things, whether the CRA provides relevant coverage for the efficient implementation of the ECAF in accordance with the requirements set out in Annex IXa.’;

(b) the following paragraph 2a is inserted:

2a. Following the initiation of an ECAF acceptance procedure, the Eurosystem shall investigate all additional information deemed relevant to ensure the efficient

implementation of the ECAF, including the ECAI's capacity to fulfil the criteria and rules of the ECAF performance monitoring process in accordance with the requirements set out in Annex IX and the specific criteria in Annex IXb (if relevant). The Eurosystem reserves the right to decide whether to accept an ECAI for the purposes of the ECAF on the basis of the information provided and its own due diligence assessment.';

15. in Article 122(3), point (b) is replaced by the following:

'(b). an up-to-date assessment by the competent authority reflecting the currently available information on all issues affecting the use of the IRB for collateral purposes and all issues relating to the data used for the ECAF performance monitoring process';

16. in Article 137, paragraph 2 is replaced by the following:

'2. The general eligibility criteria for marketable assets laid down in Title II of Part Four shall apply, except that marketable assets:

- (a) may be issued, held and settled outside the EEA;
- (b) may be denominated in currencies other than the euro; and
- (c) shall not have a coupon value that results in a negative cash flow.';

17. in Article 138(3), point (a) is replaced by the following:

'(a) close links between the counterparty and an EEA public sector entity that has the right to levy taxes, or cases where a debt instrument is guaranteed by one or more EEA public sector entities that have the right to levy taxes and the relevant guarantee complies with the features laid down in Article 114, subject in all cases to Article 139(1)';

18. in Article 139, paragraph 1 is replaced by the following:

'1. Unsecured debt instruments issued by a counterparty or any other entity closely linked to that counterparty, as defined in paragraph 2 of Article 138, and fully guaranteed by one or several EEA public sector entities which have the right to levy taxes shall not be mobilised as collateral for Eurosystem credit operations by that counterparty either:

- (a) directly; or
- (b) indirectly, where they are included in a pool of covered bonds.';

19. in Article 141, paragraph 1 is replaced by the following:

'1. A counterparty shall not submit or use as collateral unsecured debt instruments issued by a credit institution, or by any other entity with which that credit institution has close links, to the extent that the value of such collateral issued by that credit institution or other entity with which it has close links taken together exceeds 2.5% of the total value of the assets used as collateral by that counterparty after the applicable haircut. This 2.5% threshold shall not apply in either of the following cases:

- (a) if the value of such assets does not exceed EUR 50 million after any applicable haircut; or
- (b) if such assets are guaranteed by a public sector entity which has the right to levy taxes by way of a guarantee that complies with the features laid down in Article 114.’;

20. Article 143 is deleted;

21. the following Article 144a is inserted:

‘Article 144a

Eligible assets with negative cash flows

1. NCBs shall provide that a counterparty shall remain liable for the timely payment of any amount of negative cash flows related to eligible assets submitted or used by it as collateral.
 2. If a counterparty fails to effect timely payment pursuant to paragraph 1, the Eurosystem may, but is not obliged to, discharge the relevant payment. NCBs shall provide that a counterparty shall refund the Eurosystem, immediately upon request from the Eurosystem, of any amount of negative cash flows paid by the Eurosystem as a result of the counterparty’s failure. If a counterparty fails to make a timely payment pursuant to paragraph 1, the Eurosystem shall have the right to debit immediately and without prior notification an amount equal to the amount the Eurosystem has to pay on behalf of such counterparty either from:
 - (a) the relevant counterparty’s payment module (PM) account in TARGET2, as provided for in Article 36(6) of Annex II to Guideline ECB/2012/27; or
 - (b) with the prior authorisation of a settlement bank, the TARGET2 PM account of a settlement bank, used for the relevant counterparty’s Eurosystem credit operations; or
 - (c) any other account that can be used for Eurosystem monetary policy operations and that the relevant counterparty has with the NCB,
 3. Any amount paid by the Eurosystem under paragraph 2 that is not refunded by a counterparty immediately upon request and that cannot be debited by the Eurosystem from any relevant account as provided for under paragraph 2, shall be considered as a credit from the Eurosystem, for which a sanction is applicable in accordance with Article 154.’;
22. in Article 154(1), point (a) is replaced by the following:
- (a) as regards reverse transactions and foreign exchange swaps for monetary policy purposes, the obligations, as laid down in Article 15, to adequately collateralise and settle the amount the counterparty has been allotted over the whole term of a particular operation including any outstanding amount of a particular operation in the case of early termination executed by the NCB over the remaining term of an operation.’;
23. in Article 154(1), the following point (e) is added:
- ‘(e) any payment obligations pursuant to Article 144a(3).’;

24. in Article 156(1), point (a) is replaced by the following:
'(a) a financial penalty was imposed;';
25. in Article 156(4), point (a) is replaced by the following:
'(a) a financial penalty was imposed;';
26. in Article 166, the following paragraph 4a is added:
'4a. Each NCB shall apply contractual or regulatory arrangements which ensure that, at all times, the home NCB is in a legal position to impose a financial penalty for a failure of a counterparty to reimburse or pay, in full or in part, any amount of the credit or of the repurchase price, or to deliver the purchased assets, at maturity or when otherwise due, in the event that no remedy is available to it pursuant to Article 166(2). The financial penalty shall be calculated in accordance with Annex VII, Section I, paragraph 1(a) to this Guideline and Annex VII, Section I, paragraphs 2 and 4 to this Guideline, taking into account the amount of cash that the counterparty could not pay or reimburse, or of the assets the counterparty could not deliver, and the number of calendar days during which the counterparty did not pay, reimburse or deliver.';
27. Annexes VII, VIII and XII are amended, and a new Annex IXa and Annex IXb is inserted, in accordance with the Annex to this Guideline.

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.

For the Governing Council of the ECB

[signed]

The President of the ECB

Mario DRAGHI

Annexes VII, VIII and XII to Guideline (EU) 2015/510(ECB/2014/60) are amended, and new Annexes IXa and IXb are inserted, as follows:

1. in Annex VII, paragraph 1(b) is replaced by the following:

‘(b) For failure to comply with an obligation referred to in Article 154(1)(d) or (e), a financial penalty is calculated using the marginal lending facility rate that applied on the day when the non-compliance began plus 5 percentage points. For repeated infringements of the obligation referred to in Article 154(1)(d) or of the obligation referred to in Article 154(1)(e) within a 12-month period, starting from the day of the first infringement, the penalty rate increases by a further 2,5 percentage points for each infringement.’
2. in Annex VII, paragraph 5(a) is replaced by the following:

‘(a) A grace period of seven calendar days applies if the breach resulted from a change in the valuation, without a submission of additional such unsecured debt instruments and without removal of assets from the total collateral pool, on the basis of the following:

 - (i) the value of those already submitted unsecured debt instruments has increased; or
 - (ii) the total value of the collateral pool has decreased.

In such cases the counterparty is required to adjust the value of its total collateral pool and/or the value of such unsecured debt instruments within the grace period, to ensure compliance with the applicable limit.’;
3. in Annex VII, paragraph 6 is replaced by the following:

‘6. If the counterparty has provided information that affects the value of its collateral negatively from the Eurosystem's perspective with regard to Article 145(4), e.g. incorrect information on the outstanding amount of a used credit claim that is or has been false or out of date, or if the counterparty fails to timely provide information as required under Article 101(a)(iv), the amount (value) of the collateral that has been negatively affected is taken into account for the calculation of the financial penalty under paragraph 3 and no grace period shall be applicable. If the incorrect information is corrected within the applicable notification period, e.g. for credit claims within the course of the next business day pursuant to Article 109(2), no penalty is to be applied.’;
4. in Annex VII, paragraph 7 is replaced by the following:

‘7. For failure to comply with the obligations referred to in Article 154(1)(d) or (e), a financial penalty is calculated by applying the penalty rate, in accordance with paragraph 1(b), to the amount of the counterparty's unauthorised access to the marginal lending facility or unpaid credit from the Eurosystem.’;
5. Annex VIII is amended as follows:
 - (a) the title is replaced by the following:

‘LOAN-LEVEL DATA REPORTING REQUIREMENTS FOR ASSET-BACKED SECURITIES AND THE PROCEDURE FOR THE EUROSISTEM’S DESIGNATION OF LOAN-LEVEL DATA REPOSITORIES’;

- (b) the introductory wording is replaced by the following:

‘This Annex applies to the provision of comprehensive and standardised loan-level data on the pool of cash-flow generating assets backing asset-backed securities (ABSs), as specified in Article 78, and sets out the procedure for the Eurosystem’s designation of loan-level data repositories.’;

- (c) Section I.1 is replaced by the following:

‘1. Loan-level data must be submitted by the relevant parties to a loan-level data repository designated by the Eurosystem. The loan-level data repository publishes such data electronically.’;

- (d) The following new Section IV is inserted:

‘IV. DESIGNATION OF LOAN-LEVEL DATA REPOSITORIES

I. REQUIREMENTS FOR DESIGNATION

1. In order to be designated, loan-level data repositories must comply with the applicable Eurosystem requirements, including open access, non-discrimination, coverage, appropriate governance structure and transparency.
2. In relation to the requirements of open access and non-discrimination, a loan-level data repository:
 - (a) may not unfairly discriminate between data users when providing access to loan-level data;
 - (b) must apply criteria for access to loan-level data which are objective, non-discriminatory and publicly available;
 - (c) may only restrict access to the least possible extent so as to meet the requirement of proportionality;
 - (d) must establish fair procedures for instances where it denies access to data users or data providers;
 - (e) must have the necessary technical capabilities to provide access to both data users and data providers in all reasonable circumstances, including data backup procedures, data security safeguards, and disaster recovery arrangements;
 - (f) may not impose costs for data users for the supply or extraction of loan-level data which are discriminatory or give rise to undue restrictions on access to loan-level data.
3. In relation to the requirement of coverage, a loan-level data repository:
 - (a) must establish and maintain robust technology systems and operational controls to enable it to process loan-level data in a manner that supports

- the Eurosystem's requirements for submission of loan-level data in relation to eligible assets subject to loan-level data disclosure requirements, as specified both in Article 78 and in this Annex;
- (b) must credibly demonstrate to the Eurosystem that its technical and operational capacity would permit it to achieve substantial coverage should it obtain designated loan-level data repository status.
4. In relation to the requirements of an appropriate governance structure and transparency, a loan-level data repository:
- (a) must establish governance arrangements that serve the interests of stakeholders in the ABS market in fostering transparency;
 - (b) must establish clearly documented governance arrangements, respect appropriate governance standards and ensure the maintenance and operation of an adequate organisational structure to ensure continuity and orderly functioning; and
 - (c) must grant the Eurosystem sufficient access to documents and supporting information in order to monitor, on an ongoing basis, the continued appropriateness of the loan-level data repository's governance structure.

II. PROCEDURES FOR DESIGNATION AND WITHDRAWAL OF DESIGNATION

1. An application for designation by the Eurosystem as a loan-level data repository must be submitted to the ECB's Directorate Risk Management. The application must provide appropriate reasoning and complete supporting documentation demonstrating the applicant's compliance with the requirements for loan-level data repositories set out in this Guideline. The application, reasoning and supporting documentation must be provided in writing and, wherever possible, in electronic format.
2. Within 25 working days of receipt of the application, the ECB will assess whether the application is complete. If the application is not complete, the ECB will set a deadline by which the loan-level data repository is to provide additional information.
3. After assessing an application as complete, the ECB will notify the loan-level data repository accordingly.
4. The Eurosystem will, within a reasonable time frame (aiming for 60 working days of the notification referred to in paragraph 3), examine an application for designation made by a loan-level data repository based on the compliance of the loan-level data repository with the requirements set out in this Guideline. As part of its examination, the Eurosystem may require the loan-level data repository to conduct one or more live interactive demonstrations with Eurosystem staff, to illustrate the loan-level data repository's technical capabilities in relation to the requirements set out in Section IV.I, paragraphs 2

and 3 of this Annex. If such a demonstration is required, it shall be considered a mandatory requirement of the application process.

5. The Eurosystem may extend the period of examination by 20 working days, in cases where additional clarification is deemed necessary by the Eurosystem or where a demonstration has been required in accordance with paragraph 4.
6. The Eurosystem will aim to adopt a reasoned decision to designate or to refuse designation within 60 working days of the notification referred to in paragraph 3, or within 80 working days thereof where paragraph 5 applies.
7. Within five working days of the adoption of a decision under paragraph 6, the Eurosystem will notify its decision to the loan-level data repository concerned. Where the Eurosystem refuses to designate the loan-level data repository or withdraws the designation of the loan-level data repository, it will provide reasons for its decision in the notification.
8. The decision adopted by the Eurosystem pursuant to paragraph 6 will take effect on the fifth working day following its notification pursuant to paragraph 7.
9. A designated loan-level data repository must, without undue delay, notify the Eurosystem of any material changes to its compliance with the requirements for designation.
10. The Eurosystem will withdraw the designation of a loan-level data repository where the loan-level data repository:
 - (a) obtained the designation by making false statements or by any other irregular means; or
 - (b) no longer fulfils the requirements under which it was designated.
11. A decision to withdraw the designation of a loan-level data repository will take effect immediately. ABSs in relation to which loan-level data was made available through a loan-level data repository whose designation was withdrawn in accordance with paragraph 10 may remain eligible as collateral for Eurosystem credit operations, providing all other requirements are fulfilled, for a period
 - (a) until the next required loan-level data reporting date specified in Section I.4 of Annex VIII; or
 - (b) if the period permitted under (a) is technically infeasible for the party submitting loan-level data and a written explanation has been provided to the NCB assessing eligibility by the next required loan-level data reporting date specified in Section I.4 of Annex VIII, three months following the decision under paragraph 10.

After the expiry of this period the loan-level data for such ABSs must be made available through a designated loan-level data repository in accordance with all applicable Eurosystem requirements.

12. The Eurosystem will publish on the ECB's website a list of loan-level data repositories designated in accordance with this Guideline. That list will be

updated within five working days following the adoption of a decision under paragraph 6 or paragraph 10.’;

6. The following Annex IXa is inserted:

‘Annex IXa

MINIMUM COVERAGE REQUIREMENTS FOR EXTERNAL CREDIT ASSESSMENT INSTITUTIONS IN THE EUROSYTEM CREDIT ASSESSMENT FRAMEWORK

This Annex applies to the acceptance of a credit rating agency (CRA) as an ECAI in the Eurosystem credit assessment framework, as specified in Article 120(2).

1. COVERAGE REQUIREMENTS

1. Concerning current coverage, in each of at least three out of the four asset classes (a) uncovered bank bonds, (b) corporate bonds, (c) covered bonds and (d) ABS, the CRA must provide a minimum coverage of:
 - (i) 10% in the eligible universe of euro area assets, computed in terms of rated assets and rated issuers, except for the ABS asset class, for which coverage in terms of rated assets only will apply;
 - (ii) 20% in the eligible universe of euro area assets, computed in terms of nominal amounts outstanding;
 - (iii) in at least 2/3 of the euro area countries with eligible assets in the respective asset classes, the CRA must provide the required coverage of rated assets, rated issuers or rated nominal amounts as referred to in points (i) and (ii).
2. The CRA must provide sovereign ratings for, at a minimum, all euro area issuer residence countries where assets in one of the four asset classes mentioned in paragraph 1 are rated by this CRA, with the exception of assets for which the Eurosystem considers the respective country risk assessment to be irrelevant for the credit rating provided by the CRA for the issue, issuer or guarantor.
3. Concerning historical coverage, the CRA must meet at least 80% of the minimum coverage requirements outlined in paragraphs 1 and 2 in each of the last three years prior to the application for ECAF acceptance, and must meet 100% of those requirements at the time of application and during the entire period of ECAF acceptance.

2. CALCULATION OF COVERAGE

1. Coverage is calculated on the basis of credit ratings issued or endorsed by the CRA in accordance with Regulation (EC) No 1060/2009 and meeting all other requirements for ECAF purposes.

2. The coverage of a given CRA is based on credit ratings of eligible assets for Eurosystem monetary policy operations, and is computed in line with the priority rules under Article 84 by considering only that CRA's ratings.
3. In the calculation of the minimum coverage of a CRA not yet accepted for ECAF purposes, the Eurosystem also includes relevant credit ratings provided for assets that are not eligible because of the lack of a rating from ECAF-accepted external credit assessment institutions (ECAI).
4. REVIEW OF COMPLIANCE
 1. The compliance of ECAs accepted with these coverage requirements will be reviewed annually.
 2. Non-compliance with the coverage requirements may be sanctioned in accordance with ECAF rules and procedures.';
7. The following Annex [IXb] is inserted:

'Annex IXb

**MINIMUM REQUIREMENTS IN THE EUROSYTEM CREDIT ASSESSMENT FRAMEWORK FOR
NEW ISSUE AND SURVEILLANCE REPORTS ON COVERED BOND PROGRAMMES**

1. Introduction

For the purposes of the Eurosystem credit assessment framework (ECAF), external credit assessment institutions (ECAs), in respect of the Article 120(2), must comply with specific operational criteria in relation to covered bonds, with effect from [1 July 2017]. In particular, ECAs shall:

 - (a) explain newly rated covered bond programmes in a publicly available credit rating report; and
 - (b) make surveillance reports on covered bond programmes available on a quarterly basis.

This Annex sets out these minimum requirements in detail.

ECAs' compliance with these requirements will be regularly reviewed. If the criteria are not fulfilled for a particular covered bond programme, the Eurosystem may deem the public credit rating(s) related to the relevant covered bond programme not to meet the high credit standards of the ECAF. Thus, the relevant ECAI's public credit rating may not be used to establish the credit quality requirements for marketable assets issued under the specific covered bond programme.
2. Minimum requirements
 - (a) The publicly available credit rating reports (new issue report) referred to in paragraph 1(a) must include a comprehensive analysis of the structural and legal aspects of the programme, a detailed collateral pool assessment, an analysis of the refinancing and market risk, an analysis of the transaction participants, ECAI proprietary assumptions and metrics, and an analysis of any other relevant details of the transaction.

- (b) The surveillance reports referred to in paragraph 1(b) must be published by the ECAI no later than eight weeks after the end of each quarter. The surveillance reports must contain the following information.
- (i) Any ECAI proprietary metrics, including the latest available dynamic proprietary metrics used in the determination of the rating. If the date to which the proprietary metrics refer differs from the publication date of the report, the date to which the proprietary metrics refer should be specified.
 - (ii) A programme overview, to include, at a minimum, the outstanding assets and liabilities, the issuer and other key transaction parties, the main collateral asset type, the legal framework to which the programme is subject, and the rating of the programme and the issuer.
 - (iii) Overcollateralisation levels, including current and committed overcollateralisation.
 - (iv) The asset-liability profile, including the maturity type of the covered bonds, e.g. hard bullet, soft bullet, or pass through, the weighted average life of the covered bonds and of the cover pool and information on interest rate and currency mismatches.
 - (v) Interest rate and currency swap arrangements existing at the time of the publication of the report, including the swap counterparty names and, where available, their legal entity identifiers.
 - (vi) The distribution of currencies, including a breakdown in terms of value at the level of both the cover pool and the individual bonds.
 - (vii) Cover pool assets, including the asset balance, asset types, number and average size of loans, seasoning, maturity, loan-to-valuation ratios, regional distribution and arrears distribution.
 - (viii) Cover pool substitute assets, including the asset balance.
 - (ix) The list of all rated securities in the programme, identified by their international securities identification number (ISIN). This disclosure can also be made via a separate, downloadable file published on the ECAI's website.
 - (x) A list of data definitions and data sources used in the production of the surveillance report. This disclosure can also be made via a separate file published on the ECAI's website.'
8. Annex XII, Section VI is amended as follows:
- (a) Table 1 is replaced by the following:

Table 1

Marketable assets mobilised in the transactions

Characteristics						
Name	Asset class	Maturity date	Coupon definition	Coupon frequency	Residual maturity	Haircut
Asset A	UCITS compliant jumbo covered bond	30.8.2018	Fixed rate	6 months	4 years	2,50 %
Asset B	Central government bond	19.11.2018	Variable rate	12 months	4 years	0,50 %
Asset C	Corporate bond	12.5.2025	Zero coupon rate		> 10 years	13,00 %

Prices in percentages (including accrued interest) (*)

30.7.2014	31.7.2014	1.8.2014	4.8.2014	5.8.2014	6.8.2014	7.8.2014
101,61	101,21	99,50	99,97	99,73	100,01	100,12
	98,12	97,95	98,15	98,56	98,59	98,57
					53,71	53,62

(*) The prices shown for a specific valuation date correspond to the most representative price on the business day preceding this valuation date.’;

(b) paragraph 1 under ‘EARMARKING SYSTEM’ is replaced by the following:

- ‘1. On 30 July 2014, the counterparty enters into a repurchase transaction with the NCB, which purchases EUR 50,6 million of Asset A. Asset A is a UCITS compliant jumbo covered bond with a fixed coupon maturing on 30 August 2018 and allocated to credit quality step 1-2. It thus has a residual maturity of four years, therefore requiring a valuation haircut of 2,5 %. The market price of Asset A on its reference market on that day is 101,61 %, which includes the accrued interest on the coupon. The counterparty is required to provide an amount of Asset A, which, after deduction of the 2,5 % valuation haircut, exceeds the allotted amount of EUR 50 million. The counterparty therefore delivers Asset A for a nominal amount of EUR 50,6 million, the adjusted market value of which is EUR 50 129 294 on that day.’