Measures to Further Expand the Collateral Framework and Enhance the Provision of Liquidity

European Central Bank (ECB)
PRESS RELEASE

Measures to further expand the collateral framework and enhance the provision of liquidity

15 October 2008

The Governing Council of the European Central Bank (ECB) today decided, by means of a teleconference, on the following measures:

- The list of assets eligible as collateral in Eurosystem credit operations will be expanded as set out below, with this expansion remaining into force until the end of 2009.
- As from the operation settling on 30 October 2008 and until the end of the first quarter in 2009, the provision of longer-term refinancing by the Eurosystem will be enhanced as set out below.
- The Eurosystem will start offering US dollar liquidity also through foreign exchange swaps.

Expansion of the list of assets eligible as collateral in Eurosystem credit operations

The Eurosystem will add the following instruments to the list of assets eligible as collateral in its credit operations:

- Marketable debt instruments denominated in other currencies than the euro, namely the US dollar, the British pound and the Japanese yen, and issued in the euro area. These instruments will be subject to a uniform haircut add-on of 8%.
- Debt instruments issued by credit institutions, which are traded on the accepted non-regulated markets that are mentioned on the ECB website; this measure implies inter alia that certificates of deposits (CDs) will also be eligible when traded on one of these accepted non-regulated markets. All debt instruments issued by credit institutions, which are traded on the accepted non-regulated markets, will be subject to a 5% haircut add-on.
- Subordinated debt instruments when they are protected by an acceptable guarantee as specified in

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Moreover, as of 20 October 2008 and at least until the end of the first maintenance period in 2009 on 20 January, fixed term deposits held with the Eurosystem will be eligible collateral for Eurosystem credit operations.

Enhancement of the provision of longer-term refinancing

Consistently with the temporary expansion of the collateral pool, the Eurosystem will also enhance its provision of longer-term refinancing as follows:

› All longer-term refinancing operations will, until March 2009, be carried out through a fixed rate tender procedure with full allotment.

› The two 3-month supplementary longer-term refinancing operations (SLTRO) maturing in February and in March 2009 will be rolled-over and an additional 3-month operation will be conducted in January 2009.

› The outstanding 6-month SLTRO maturing in January 2009 will be rolled-over, and four additional 6-month SLTROs will be carried out in November 2008, December 2008, February 2009 and March 2009 in parallel with the respective 3-month SLTROs.

› As result, two 3-month LTROs/SLTROs and one 6-month LTRO will be carried out each month until and including March 2009.

› Moreover, the special term refinancing operation (STRO) allotted on 29 September 2008 will be rolled-over when it matures on 7 November 2008 and it will have a maturity matching the length of the reserve maintenance period;

› A schedule of the above operations is provided in the table below.

The ECB will continue to steer liquidity towards balanced conditions in a way which is consistent with the objective to keep short-term rates close to the interest rate on the main refinancing operation.. For that purpose it will also accept fixed term deposits with a one week maturity.

<table>
<thead>
<tr>
<th>Operation</th>
<th>Announcement date</th>
<th>Allotment date</th>
<th>Settlement date</th>
<th>Maturity date</th>
<th>Maturity</th>
</tr>
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<tbody>
<tr>
<td>LTRO</td>
<td>Tuesday, 28 October 2008</td>
<td>Wednesday 29 October 2008</td>
<td>Thursday 30 October 2008</td>
<td>Thursday 29 January 2009</td>
<td>3-month</td>
</tr>
<tr>
<td>STRO</td>
<td>Wednesday 5 November 2008</td>
<td>Thursday 6 November 2008</td>
<td>Friday 7 November 2008</td>
<td>Wednesday 10 December 2008</td>
<td>1 maintenance period</td>
</tr>
<tr>
<td>SLTRO</td>
<td>Tuesday, 11 November 2008</td>
<td>Wednesday 12 November 2008</td>
<td>Thursday 13 November 2008</td>
<td>Thursday 12 February 2009</td>
<td>3-month</td>
</tr>
</tbody>
</table>
Provision of US dollar liquidity through foreign exchange swaps

As from 21 October 2008, and at least until the end of January 2009, in parallel with the existing tenders in which the Eurosystem offers US dollar liquidity against ECB-eligible collateral, the Eurosystem will also offer US dollar liquidity through EUR/USD foreign exchange swaps. The EUR/USD foreign exchange swap tenders will be carried out at a fixed price (i.e. swap point) with full allotment. Further details on the tender procedures for EUR/USD foreign exchange swaps will be released shortly.