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Eurozone: EUREP, 2020

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Eurozone: EUREP, 2020

Vincent Arnold

Yale Program on Financial Stability Case Study
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Abstract

At the outset of the novel coronavirus pandemic (COVID-19), financial instability spread around the world. In response to potential euro funding stresses outside the euro area, on June 25, 2020, the European Central Bank (ECB) announced the Eurosystem Repo Facility for Central Banks (EUREP). The ECB introduced the facility as a precautionary backstop to address potential COVID-19-related euro liquidity funding stresses and to complement its existing network of swap lines and bilateral repo lines for central banks outside the euro area. Central banks could apply to use EUREP to borrow euros against euro-denominated sovereign debt (debt issued by euro-area governments or supranational institutions). The ECB initially said that EUREP would expire at the end of June 2021, but it later renewed the facility until January 15, 2024, on the basis that the facility was still needed for monetary policy purposes. In 2020, the Central Bank of Kosovo announced that it had signed a repo agreement under the facility for EUR 100 million. In 2022, the Central Bank of Montenegro announced that it had also gained access to the facility for EUR 250 million. Neither country has said publicly whether it ever drew on those lines. As of January 17, 2023, the ECB said that EUREP was in use as a result of the war in Ukraine.

Keywords: central bank swaps, EUREP, euro, European Central Bank, repo, repurchase facility

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1 This case study is part of the Yale Program on Financial Stability (YPFS) selection of New Bagehot Project modules considering central bank swap line programs. Cases are available from the Journal of Financial Crises at https://elischolar.library.yale.edu/journal-of-financial-crisis/

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Overview

A dash for cash at the outset of the novel coronavirus pandemic (COVID-19) spread financial instability around the world (see Figure 1). In March 2020, sovereign debt spreads in the euro area spiked (Schnabel 2021). In response, the European Central Bank (ECB) announced a number of measures, including looser monetary policy, financing operations, capital rule changes, and international liquidity operations (ECB 2021).

As part of its international liquidity response, on June 25, 2020, the ECB announced a new liquidity facility: the Eurosystem Repo Facility for Central Banks (EUREP). The ECB introduced the facility as a precautionary backstop to address potential COVID-19-related euro liquidity funding stresses and to expand access to euro liquidity beyond the ECB’s existing network of swap lines and bilateral repo lines for central banks outside the euro area (ECB 2020a; ECB 2022d). The ECB’s international liquidity tools—including its swap lines, bilateral repo lines, and EUREP—aimed to achieve a number of objectives, including (1) to help the ECB hit its inflation targets; (2) to prevent potential funding shortages from becoming systemic risks; and (3) to support the global use of the euro in international commerce and finance (Panetta and Schnabel 2020). EUREP’s broader eligibility requirements assured euro liquidity for central banks that didn’t have access to the ECB’s swap lines or bilateral repo lines but did have sufficient holdings of euro-denominated sovereign debt.

Foreign central banks outside the euro area could apply to use EUREP to borrow euros against euro-denominated sovereign debt (issued by euro-area governments or

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3 The debt spreads were measured as the spread between 10-year debt from a subset of Southern European countries (Italy, Greece, Portugal, and Spain) and Germany (Schnabel 2021).
supranational institutions) (ECB 2020a). The ECB said that EUREP would initially expire at the end of June 2021, but it later renewed the facility multiple times (see Figure 2).

**Figure 1: Financial Stress Index, Advanced Economies ex-US, 2020–2023**

![Financial Stress Index Diagram](image-url)

Note: Higher (positive) scores indicate elevated levels of financial stress. Data through January 17, 2023.

*Source: OFR n.d.*

**Figure 2: EUREP Extensions, 2020–2022**

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
<th>Designated Expiration</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 25, 2020</td>
<td>Announcement</td>
<td>June 2021</td>
</tr>
<tr>
<td>December 10, 2020</td>
<td>Renewal</td>
<td>March 2022</td>
</tr>
<tr>
<td>March 10, 2022</td>
<td>Renewal</td>
<td>January 15 2023</td>
</tr>
<tr>
<td>November 8, 2022</td>
<td>Renewal</td>
<td>January 15, 2024</td>
</tr>
</tbody>
</table>

*Source: ECB 2020a; ECB 2020c; ECB 2022a; ECB 2022b.*

The ECB said on an informational webpage, as of March 27, 2023, that it did not publicly disclose the identities of any of its EUREP counterparties. However, in the very same source, the ECB said that EUREP was “being used in response to the uncertain environment caused by the Russian invasion of Ukraine” (ECB 2022d). When contacted by the author about the facility, the ECB said that it would not disclose if the facility had ever been used at all.\(^4\) The

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\(^4\) Email correspondence between the author and an ECB spokesperson, January 19, 2023.
facility would be unattractive to non-euro-area central banks that already had a swap line or bilateral repo line with the ECB since its pricing would be more expensive than either of those facilities (see Key Design Decision No. 12, Rates and Fees). The ECB did provide aggregate usage data from 2020–2023 for its central bank liquidity lines (to include swaps and bilateral repo lines). Figure 3 shows the daily aggregate amount outstanding under the ECB’s central bank liquidity lines from 2020 through January 13, 2023.

**Figure 3: Total ECB Central Bank Liquidity Lines—Daily Amount Outstanding, January 1, 2020–January 13, 2023**

Note: Since bars represent daily amounts outstanding, clusters of bars may be interpreted as draws on liquidity facilities. For example, the ECB may have EUR 500 million outstanding each day for a week; this likely means that a counterparty drew on a liquidity line at the ECB and repaid the funds in one week.

*Source: ECB 2022d.*

In its 2020 annual report, the Central Bank of Kosovo (CBK) said that it had signed a repurchase agreement with the ECB under EUREP to gain access to EUR 100 million\(^5\) through the Deutsche Bundesbank. The CBK said that its repo agreement under EUREP would remain in force through the end of March 2022 in the absence of an extension (CBK 2021). In April 2022, the Central Bank of Montenegro (CBCG) announced it had similarly gained access to EUR 250 million through the facility, which it could deploy at short notice (CBCG 2022). At the date of writing, the CBCG’s 2022 annual report was unavailable. Montenegro and Kosovo are the only two countries to have unilaterally adopted the euro (in 2002). They use the euro

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\(^5\) More than 99% of the CBK’s investment portfolio is denominated in euros (less than 1% is in dollar-denominated assets) (CBK 2021).
as the de facto currency of exchange, but they are not part of the euro area. The euro is not legal tender in either country and neither country has issuing rights (ECB 2020b).

EUREP shared many features with the Fed’s Foreign and International Monetary Authorities Repurchase (FIMA Repo) Facility, which the Fed had announced three months earlier. Both were designed to improve liquidity in their respective currencies outside their currency areas; both sought to discourage disruptive fire sales of government debt securities (Treasuries or euro-area sovereign debt); both were structured as repo facilities against sovereign debt collateral; both were meant to supplement preexisting liquidity lines (swap lines in the Fed’s case, and swap lines and bilateral repo lines in the ECB’s case); both were open to nearly all central banks; both were priced higher than private repo rates to encourage use only during times of market strain; and neither central bank disclosed the names of counterparties who had signed repo agreements to gain access to its respective facility (ECB 2022c; ECB 2022d; Kelly 2023).

**Summary Evaluation**

The ECB said that its decision to set up the EUREP reflected the euro’s importance to global financial markets (ECB 2020a). The ECB said that its swap and repo lines prevented “abrupt deleveraging, extreme price movements and interruptions in the flow of credit resulting from tensions in international funding markets” (ECB 2022d).

Scholars have found that the announcement of an ECB euro liquidity line generally (to include swap and repo lines) resulted in a decrease of 76 basis points in the premium paid by foreign agents to buy euros in foreign exchange markets (Albrizio et al. 2022).

Other scholars have found that the requirement for sufficient euro-denominated reserve collateral reduces the counterparty risk of EUREP compared to bilateral liquidity lines. They also found that the euro-denominated reserve collateral requirement “may be to the [ECB’s] advantage if that increase in demand for reserves contributes toward an exorbitant privilege” (Bahaj and Reis 2022, 70). These scholars said that repo lines generally prevent

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6 This unilateral adoption did not receive the ECB’s implicit or explicit endorsement. To the contrary, the ECB said that “participation without being a member of the European Union is totally excluded” (Balkan Insight 2007). In the case of Montenegro, the EU said that “unilateral ‘euroisation’ is not compatible with the Treaty, which foresees adoption of the Euro as the endpoint of a structured convergence process within a multilateral framework” (Balkan Insight 2007). Four other non-EU nations (Andorra, Monaco, San Marino, and Vatican City) also use the euro, but they maintain monetary agreements with the EU (which formally allow the nations to treat the euro as legal tender and to mint euros) (ECB 2020b). In recent years, the ECB has softened its stance and begun cooperating with countries that adopt the euro (Braga 2016). Nonetheless, officially the ECB maintains opposition to unilateral adoption and in 2021 said that it supports the view of the Economic and Financial Affairs Council that unilateral euro adoption is incompatible with the Maastricht Treaty (Nikolova 2021).

7 This empirical analysis omitted EUREP by necessity, since the ECB did not disclose EUREP transactions data.

8 “Exorbitant privilege” refers to the financial and geopolitical benefits enjoyed by the United States as a result of the global reserve currency status of the US dollar.
sovereign bond sales during crises, thereby contributing to financial stability and helping the source nation reinforce its status as a safe haven (Bahaj and Reis 2022).
## Context: Euro Area 2020–2021

<table>
<thead>
<tr>
<th>Category</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP</strong> (SAAR, nominal GDP in LCU converted to USD)</td>
<td>$13.1 trillion</td>
<td>$14.6 trillion</td>
</tr>
<tr>
<td><strong>GDP per capita</strong> (SAAR, nominal GDP in LCU converted to USD)</td>
<td>$38,160</td>
<td>$42,450</td>
</tr>
<tr>
<td><strong>Euro share of global central bank reserves in euros</strong></td>
<td>21.3%</td>
<td>20.6%</td>
</tr>
<tr>
<td><strong>Euro share of global foreign currency-denominated debt issuance, at current exchange rates</strong></td>
<td>21.8%</td>
<td>24.6%</td>
</tr>
<tr>
<td><strong>Euro share of the global stock of international debt securities</strong></td>
<td>21.7%</td>
<td>21.7%</td>
</tr>
<tr>
<td><strong>Euro share of global foreign bank deposits</strong></td>
<td>15.5%</td>
<td>16.9%</td>
</tr>
<tr>
<td><strong>Euro share of invoicing for imports from outside of the Euro Area</strong></td>
<td>51.4%</td>
<td>51.6%</td>
</tr>
</tbody>
</table>

*Sources: Bloomberg; ECB; IMF; World Bank Global Financial Development Database.*
Key Design Decisions

1. **Purpose and Type:** The ECB created EUREP as a precautionary measure to address potential euro liquidity needs outside the euro area during the early days of the COVID-19 lockdown.

The ECB said in its initial press release announcing EUREP that it had created the facility as a precautionary backstop in order to address potential euro liquidity needs outside of the euro area during the COVID-19 lockdown. The facility was part of a larger network of central bank liquidity lines comprised of swap lines and bilateral repo lines (see Key Design Decision No. 2, Part of a Package). EUREP was unidirectional; the ECB provided euros in exchange for collateral (ECB 2020a).

The ECB originally designed EUREP as a temporary, precautionary backstop facility in the event of non-euro-area market dysfunctions and said that limited use of the facility should not have been interpreted as a sign that it was unnecessary (ECB 2022d; Panetta and Schnabel 2020). In November 2022, the ECB renewed the facility until January 15, 2024, on the basis that the facility was still needed for monetary policy purposes (ECB 2022a; ECB 2022d). As of January 17, 2023, the ECB said that EUREP was “being used in response to the uncertain environment caused by the Russian invasion of Ukraine” (ECB 2022d).

The ECB said that international liquidity provision through tools including EUREP was particularly important for ECB monetary policy transmission because it would help prevent fire sales of euro-area sovereign debt by non-euro-area governments. Such fire sales could disrupt the transmission of the ECB’s monetary policy if they were to cause the yields of sovereign debt issued by different member states to diverge substantially (Panetta and Schnabel 2020). The ECB said that these liquidity lines prevented “abrupt deleveraging, extreme price movements and interruptions in the flow of credit resulting from tensions in international funding markets” (ECB 2022d).

2. **Part of a Package:** EUREP was part of a broader set of central bank liquidity lines, including swap lines and bilateral repo lines.

EUREP complemented the ECB’s main framework of euro liquidity to non-euro-area countries, which included swap lines and bilateral repo lines (ECB 2022d). Figure 4 shows the ECB’s other central bank liquidity lines as of January 2023. (See also Figure 5 at Appendix.)
Figure 4: The ECB’s Central Bank Liquidity Lines, as of January 2023

<table>
<thead>
<tr>
<th>Non-Euro Area Counterpart</th>
<th>Type of Arrangement</th>
<th>Max Borrowable Amount (EUR million)</th>
<th>Expiry Date</th>
<th>Reciprocal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Danmarks Nationalbank</td>
<td>Swap line</td>
<td>24,000</td>
<td>Standing</td>
<td>No</td>
</tr>
<tr>
<td>Sveriges Riksbank</td>
<td>Swap line</td>
<td>10,000</td>
<td>Standing</td>
<td>No</td>
</tr>
<tr>
<td>Bank of Canada</td>
<td>Swap line</td>
<td>Unlimited</td>
<td>Standing</td>
<td>Yes</td>
</tr>
<tr>
<td>People’s Bank of China A</td>
<td>Swap line</td>
<td>45,000</td>
<td>15-Oct-25</td>
<td>Yes</td>
</tr>
<tr>
<td>Bank of Japan</td>
<td>Swap line</td>
<td>Unlimited</td>
<td>Standing</td>
<td>Yes</td>
</tr>
<tr>
<td>Swiss National Bank</td>
<td>Swap line</td>
<td>Unlimited</td>
<td>Standing</td>
<td>Yes</td>
</tr>
<tr>
<td>Bank of England</td>
<td>Swap line</td>
<td>Unlimited</td>
<td>Standing</td>
<td>Yes</td>
</tr>
<tr>
<td>Federal Reserve System</td>
<td>Swap line</td>
<td>Unlimited</td>
<td>Standing</td>
<td>Yes</td>
</tr>
<tr>
<td>Narodowy Bank Polski</td>
<td>Swap line</td>
<td>10,000</td>
<td>15-Jan-24</td>
<td>No</td>
</tr>
<tr>
<td>Magyar Nemzeti Bank</td>
<td>Repo line</td>
<td>4,000</td>
<td>15-Jan-24</td>
<td>No</td>
</tr>
<tr>
<td>Banca Națională a României</td>
<td>Repo line</td>
<td>4,500</td>
<td>15-Jan-24</td>
<td>No</td>
</tr>
<tr>
<td>Bank of Albania</td>
<td>Repo line</td>
<td>400</td>
<td>15-Jan-24</td>
<td>No</td>
</tr>
<tr>
<td>Andorran Financial Authority</td>
<td>Repo line</td>
<td>35</td>
<td>15-Jan-24</td>
<td>No</td>
</tr>
<tr>
<td>National Bank of North Macedonia</td>
<td>Repo line</td>
<td>400</td>
<td>15-Jan-24</td>
<td>No</td>
</tr>
<tr>
<td>Central Bank of the Republic of San Marino</td>
<td>Repo line</td>
<td>100</td>
<td>15-Jan-24</td>
<td>No</td>
</tr>
</tbody>
</table>

A If the ECB were the borrower, the maximum borrowable amount would be 350 billion yuan. According to the ECB, this was equal to 47.5 billion euros as of January 2, 2023 (no data were available for January 1).

Source: ECB 2022d.

3. **Legal Authority: Protocol (No. 4) on the Statute of the European System of Central Banks and of the European Central Bank provided the ECB the legal authority to conduct foreign exchange operations.**

   Article 3.1 of Protocol (No. 4) on the Statute of the European System of Central Banks and of the European Central Bank (ESCB-ECB Statute) authorized the ECB to conduct foreign exchange operations. Specifically, Article 18.1 of the ESCB-ECB Statute authorized the ECB to engage in repurchase agreements in euros and other currencies and to lend or borrow marketable instruments. In order for a counterparty to use EUREP, its application had to be approved by the ECB Governing Council (ECB 2022c). Article 12.1 of the ESCB-ECB Statute authorized the ECB Governing Council to formulate monetary policy, including intermediate monetary objectives (European Parliament 2016).

4. **Governance: The ECB Governing Council had to approve any application by a non-euro-area central bank to use EUREP.**

   For a counterparty to use EUREP, its application had to be approved by the ECB Governing Council. The ESCB-ECB Statute provided that authority (see Key Design Decision No. 3, Legal Authority) (ECB 2022c). The ECB publicly disclosed neither EUREP aggregate usage nor the identities of counterparties. The ECB said on an informational webpage, as of March 27,
2023, that it did not disclose any of its counterparties to EUREP (ECB 2022d). However, in the very same source, the ECB said that EUREP was “being used in response to the uncertain environment caused by the Russian invasion of Ukraine” (ECB 2022d). When contacted by the author about the facility, the ECB said that it would not disclose if the facility had ever been used at all.\footnote{Email correspondence between the author and an ECB spokesperson, January 19, 2023.} The ECB published a list of frequently asked questions and responses, which it last updated on December 5, 2022 (ECB 2022c). Our research was unable to uncover a fact sheet or term sheet relating to EUREP.

5. \textbf{Administration: Our research was unable to uncover information about the administration of EUREP.}

Owing to disclosure limitations (see Key Design Decision No. 6, Communication), our research did not uncover information about the administration of EUREP. In its 2020 annual report, the CBK said that it had gained access to EUR 100 million\footnote{More than 99\% of the CBK’s investment portfolio is denominated in euros; less than 1\% is in dollar-denominated assets (CBK 2021).} through the EUREP facility through the Deutsche Bundesbank (CBK 2021). While the CBK did not say that the Deutsche Bundesbank\footnote{In its 2020 annual report, the CBK reported that of its total EUR 313 million held in current accounts at non-resident banks, EUR 127 million (40.6\%) were held at the Deutsche Bundesbank (CBK 2021).} was the administrator of the facility, it has acted as the administrator in other ECB bilateral repo lines in the past (Gupta 2023a; Gupta 2023b).

6. \textbf{Communication: The ECB announced EUREP via press releases and blog posts but did not publicly comment about its use.}

The ECB announced the creation of EUREP in a press release on June 25, 2020. On December 2, 2022, the ECB said in a press release that it had taken the decision in November 2022 to extend the facility until January 15, 2024 (ECB 2022a). (For an overview of the ECB’s extensions of EUREP, see Figure 2.)

The ECB said that “the mere existence” of its precautionary liquidity tools helped to stabilize markets and that the signaling effect of the ECB’s liquidity lines helped to calm market tensions (Panetta and Schnabel 2020).

In its initial press release, the ECB described the purpose of EUREP as to “[address] possible euro liquidity needs in case of market dysfunction resulting from the COVID-19 shock that might adversely impact the smooth transmission of ECB monetary policy” (ECB 2020a). In its FAQs, the ECB described the purpose of EUREP as to “[reduce] risks related to episodes of euro-denominated asset sell-offs and spillovers of market dysfunctions from other economies to the euro area” (ECB 2022c). As of March 27, 2023, the ECB said that EUREP was “being used in response to the uncertain environment caused by the Russian invasion of Ukraine” (ECB 2022d).
7. **Eligible Institutions: Most non-euro-area central banks could apply to use EUREP.**

The ECB said that a broad range of non-euro-area central banks could apply to use EUREP, although it never provided a list or disclosed which central banks it might exclude. The ECB Governing Council decided whether to grant access to a central bank on a case-by-case basis (see Key Design Decision No. 4, Governance) (ECB 2022c). In its initial press release, the ECB said that the potential counterparties were a “broad set of central banks outside the euro area” (ECB 2020a). In another blog, the ECB described the eligible counterparties as a “large range of central banks around the world” (ECB 2022d). Per the collateral requirements, any central bank applying for use would necessarily have to have adequate eligible euro-denominated collateral (ECB 2020a).

The ECB did not disclose which central banks might be excluded as potential counterparties (the words “broad” and “large range” appeared in press releases, but not “universal”). EU law prohibits transactions with some central banks. Also, a non-euro-area central bank could request a swap or bilateral repo line and instead receive access to EUREP, as all euro liquidity line requests are subject to the ECB Governing Council’s determination of which liquidity tool, if any, is most suitable for that particular case (ECB 2022c).

8. **Size: The size of EUREP draws would vary depending on the quantity of eligible collateral.**

Due to disclosure limitations (see Key Design Decision No. 4, Governance), our research did not uncover information about a limit that the ECB may have set on the size of EUREP. However, the ECB did say that the size of any draws on the facility would vary depending on the amount of eligible collateral available to a borrowing central bank. According to the IMF’s Currency Composition of Foreign Reserves data, as of the third quarter of 2022, nearly 20% of the world’s foreign reserves were denominated in euros (IMF n.d.). The ECB said that such reserves included sovereign bonds issued by euro-area nations (Panetta and Schnabel 2020). In contrast to the US’s Treasury International Capital System data, the ECB does not maintain a consolidated database of foreign government holdings of euro-area sovereign debt, so estimates of size for potential counterparts were not feasible (Setser 2017).

9. **Process for Utilizing the Swap Agreement: Any participating country must be approved by the ECB’s Governing Council and must collateralize repo with eligible euro-denominated sovereign debt collateral.**

In order to utilize EUREP, applicant (non-euro area) central banks would apply for a euro liquidity instrument and would have to be approved to use EUREP by the ECB’s Governing Council (ECB 2022c). If approved, the borrowing central bank would provide “euro-denominated marketable debt securities issued by euro area central governments or supranational institutions” as collateral (ECB 2022c).

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12 For example, in response to Russia’s invasion of Ukraine, the EU prohibited all transactions related to the Central Bank of Russia’s reserves and assets (including gold) as well as those of the central bank of Belarus. Therefore, the ECB could not legally extend EUREP access to Russia or Belarus (European Council n.d.).
10. **Downstream Use of Borrowed Funds:** Our research was unable to uncover information about the downstream use of funds, if any, from EUREP.

Owing to disclosure limitations (see Key Design Decision No. 4, Governance), our research did not uncover information about the downstream use of funds, if any, from EUREP. The CBCG said that its EUREP access was in support of systemic liquidity, but it did not specify whether it would lend downstream to commercial banks or other types of financial institutions (CBCG 2022).

11. **Duration of Swap Draws:** Our research was unable to uncover information about the duration of draws, if any, on EUREP.

Due to disclosure limitations (see Key Design Decision No. 4, Governance), our research did not uncover information about the duration of draws, if any, on EUREP.

12. **Rates and Fees:** The ECB priced EUREP to be “slightly more expensive” than pricing under a bilateral repo or swap line.

The ECB did not release details about EUREP’s rates and fees. It did say that EUREP would be priced as “slightly more expensive” than pricing under a bilateral repo or swap line and that its pricing would make it attractive only under adverse market conditions (ECB 2022c). ECB repo lines generally (to include the bilateral repo lines) applied haircuts to collateral (Panetta and Schnabel 2020).

13. **Balance Sheet Protection:** Any EUREP counterparties would post euro-denominated sovereign debt as collateral.

EUREP borrowers would post euro-denominated sovereign debt (issued by euro-area governments or supranational institutions) as collateral in order to borrow euros (ECB 2020a; ECB 2022c). ECB repo lines generally (to include the bilateral repo lines) applied haircuts to collateral (Panetta and Schnabel 2020). The range of collateral for EUREP was narrower than for a bilateral repo line13 (ECB 2022c). Bilateral repo lines could be collateralized by any “euro-denominated financial assets” that were accepted by the ECB (ECB 2022d).

14. **Other Restrictions:** Our research was unable to uncover information about other restrictions on the use of EUREP.

Owing to disclosure limitations (see Key Design Decision No. 6, Communication), our research did not uncover information about other restrictions on the use of EUREP.

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13 The ECB has limited the range of acceptable collateral for bilateral repo lines too. For example, during the Global Financial Crisis, the ECB limited the range of acceptable collateral for its repo facility with Hungary to a subset of eligible collateral under the Eurosystem operations eligibility categories (Gupta 2023a; Gupta 2023b).
15. **Other Options:** Beyond an examination of the existing network of swap lines and bilateral repo lines, our research was unable to uncover other options considered by the ECB to address foreign demand for euro liquidity.

Our research did not uncover information about options other than the existing network of swap lines and bilateral repo lines considered by the ECB to address foreign demand for euro liquidity.

16. **Exit Strategy:** EUREP was initially set to expire in June 2021, but the ECB extended it to January 15, 2024.

The ECB last renewed EUREP on November 8, 2022, extending it until January 15, 2024 (see Figure 1 at Overview). As of January 17, 2023, the ECB said that EUREP was “being used in response to the uncertain environment caused by the Russian invasion of Ukraine” (ECB 2022d).
References and Key Program Documents

Legal/Regulatory Guidance


European Union law governing the European System of Central Banks and the European Central Bank.
https://ypfs.som.yale.edu/node/22592

Media Stories

Newspaper article on the EU’s stance on unilateral adoption of the euro.
https://ypfs.som.yale.edu/node/22994/

Article describing the ECB’s 2021 stance on unilateral euro adoption.
https://ypfs.som.yale.edu/node/22993

Press Releases/Announcements

Press release by the Central Bank of Montenegro announcing the ECB’s extension of the EUREP.
https://ypfs.som.yale.edu/node/23019/

Press release announcing EUREP.
https://ypfs.som.yale.edu/node/22593

Press release by the ECB announcing decisions taken by the ECB in November 2022.
https://ypfs.som.yale.edu/node/22594

Reports/Assessments

Annual report of the CBK for 2020.
https://ypfs.som.yale.edu/node/22823/
Report describing the euro’s use outside of Europe. 
https://ypfs.som.yale.edu/node/22825

Published account of the ECB Governing Council’s monetary policy meeting of December 9-10, 2020, extending the EUREP until March 2022. 
https://ypfs.som.yale.edu/node/22824/

Blog post describing the ECB’s policy responses to the COVID-19 pandemic. 
https://ypfs.som.yale.edu/node/22596

Published account of the ECB Governing Council’s monetary policy meeting of March 9-10, 2022, extending the EUREP until January 2023. 
https://ypfs.som.yale.edu/node/22829/

Responses to frequently asked questions about the EUREP facility. 
https://ypfs.som.yale.edu/node/22631

Blog post describing the ECB’s extant central bank liquidity line tools. 
https://ypfs.som.yale.edu/node/22219

Website explaining the various economic measures taken by the European Union in response to Russia’s invasion of Ukraine. 
https://ypfs.som.yale.edu/node/22598/

IMF dataset containing the currency composition of the world’s aggregate foreign reserves. 
https://ypfs.som.yale.edu/node/22826/

https://ypfs.som.yale.edu/node/22626
*Press release describing the euro liquidity provision efforts of the ECB via swaps and repo lines.*
https://ypfs.som.yale.edu/node/22628

*Slide deck for speech given by ECB Executive Board Member regarding the ECB’s response to the COVID-19 pandemic.*
https://ypfs.som.yale.edu/node/22629

*Blog post discussing official statistics on European debt holdings.*
https://ypfs.som.yale.edu/node/22831/

**Key Academic Papers**

*Study examining the financial effects of ECB euro liquidity lines on borrowing countries.*
https://ypfs.som.yale.edu/node/22633

*Study examining the economics of liquidity lines between central banks.*
https://ypfs.som.yale.edu/node/22296

*Study examining the legal and political implications of unilateral euro adoption in Kosovo and Montenegro (in Portuguese).*
https://ypfs.som.yale.edu/node/22992

*Case study discussing the European Central Bank's central bank repo line to Poland.*
https://elischolar.library.yale.edu/journal-of-financial-crisis/vol5/iss1/9

*Case study discussing the European Central Bank's central bank repo line to the Hungarian central bank, Magyar Nemzeti Bank.*
https://elischolar.library.yale.edu/journal-of-financial-crisis/vol5/iss1/8
Appendix

Figure 5: Comparison of the ECB’s Central Bank Liquidity Lines

Note: Includes central bank swap and repo lines as of February 2021.

Source: Schnabel 2021.