
Changes to the collateral framework



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European Central Bank
Money Market Contact Group
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1. New eligibility criteria in 7 Countries

| Country | Eligible credit claims | Rating (Aprox.) | Máx. prob. Of default at 1Y (PD) | Additional currencies | Maturity | Size of credit claim |
|-----------------|--|-----------------|---|--|--|--|
| Spain | <ul style="list-style-type: none"> - Corporate loans (other than mortgages) - Public sector loans (other than mortgages) - Credit claims not governed by Spanish law might be accepted at a later stage. | BB | 0.4% , extended at 1% since 24 feb. | USD, GBP,CHF, CAD,AUD (H/C 16%) and JPY (H/C 26%) | | Remain 500,000 € |
| France | <ul style="list-style-type: none"> - Export credit guaranteed by COFACE. - Real-State residential loans: if they are a mortgage or guaranteed by a financial institution and if debtor located in France and loan governed by French law. | BB | 1% | USD | > 1 Month | No minimum |
| Italy | <ul style="list-style-type: none"> - Financial leasing and non-recourse factoring contracts - Loans guaranteed by SACE | BB | 1% | | | Remain 500,000 € |
| Austria | | BB | 1% | | | Remain 500,000 € |
| Cyprus | <ul style="list-style-type: none"> - Credit claims for which the NBC can claim full repayment in case of default- excluding leasing, syndicated loans. - Individuals, municipalities and other local authorities are eligible debtors. | BB- | 1.5% | USD, GBP,CHF, CAD,AUD (H/C 16%) and JPY (H/C 26%) | > 1 Month | No minimum |
| Ireland | <ul style="list-style-type: none"> - Pools of secured (including Irish and UK mortgages) and unsecured credit claims. | BB- | 1.5% | GBP (H/C additional) | Residential and commercial mortgages (3m to 40y) Unsecured credit claims (no maximum) | Residential and commercial mortgages >10,000 € Unsecured credit claims >250,000 € |
| Portugal | <ul style="list-style-type: none"> - Individual credit claims. - Homogeneous portfolios of credit claims: <ol style="list-style-type: none"> Mortgage-backed loans to households. Costumer credit to households. Loans to enterprises other than financial corporations. | BB-* | 1.5% | | | Reduce to 100,000€ |

*The Bank of Portugal suspended the minimum credit rating for portfolios of credit claims. COFACE rating pool accepted.

2. Spain + Bankia.

❖ Spain:

1. Additional Credit Claims.

- Many Mortgage Backed Loans are already securitized and included in “List 1” as well as many loans already securitized as ABS.
- Not enough time for most Banks to include new C.C.
- Impact: Range 20.000-30.000 MM € included Private and Public sector.(Source: Bankia Treasury)
- Reinforce Public Sector (Region, Local...) “rating trigger” (under BBB-), new rules will apply and then will remain eligible, under legal opinion.
- Credit Claims not governed by Spanish law might be accepted at a later stage.
- Additional Credit Claims have high collateralization and suppose a diversified risk by real economy loans.

“The haircuts on these additional claims are very high; and they are meant to be very high to make the riskiness on these credit claims about the same as the riskiness of the other collateral where the haircuts are much lower”.

(Draghi Q&A press conferece 8 march).

2. Other improvements:

- More flexibility to pledge credit claims (Royal Decree 2/2012 gives more independence to Bank of Spain):
 - For loans: Electronic vs Manual process (Swift accepted).
 - For securities:
 - Mirror accounts Bank of Spain – Iberclear.
 - Avoiding previous block.



More agility

❖ Bankia:

Increase of collateral pledged.

❖ ECB:

- Estimated amount about 200 MM €. (Draghi, Q&A press conference 9 feb).
- Amount used in the second LTRO was 53 MM €, roughly 40 MM by French banks (Draghi, Q&A press conference 8 march).

Bankia

Bankia

Bankia
