



European Central Bank  
Directorate General Market Operations

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## **ECB's collateral eligibility criteria and EEA/EFTA UBBs**

Dear Madam/Sir,

Finance Norway<sup>1</sup> would like to draw your attention to a, possibly unforeseen, consequence of the ECB decision to change the collateral eligibility criteria for unsecured bank bonds (UBBs). Our concern is your decision that UBBs issued by institutions established outside the EU will not be eligible as collateral.

The criteria are formally established through "Guideline ECB/2018/3" article 70 and particularly article 81a (4): *"For unsecured debt instruments issued by credit institutions or investment firms, or by their closely linked entities as referred to in Article 141(3), other than unsecured debt instruments issued by multilateral development banks or international organisations as referred to in Article 70(4), the issuer shall be established in the Union."*

Through the EEA-agreement, the EEA/EFTA countries Norway, Liechtenstein and Iceland are obliged to implement EU law and are fully integrated members of the European single market. Based on the EEA agreement we have reason to expect that rules and regulations that are applicable throughout the single market, apply per default to our markets. The EEA agreement is meant to ensure market access on equal terms in the whole of EEA. The current decision on the eligibility of UBBs discriminates against full members of the single market and as such, implies a serious deviation from practices developed through the last 25 years with regards to the EEA agreement.

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<sup>1</sup> Finance Norway is the industry organization for the financial industry in Norway. We represent about 240 financial companies with around 50,000 employees. Through dialogue and analysis, Finance Norway works to ascertain the best prerequisites for the functioning of the financial sector. We work to increase confidence in the industry and contribute to the safe and efficient operation. Our member companies are savings banks, commercial banks, life insurance companies, general insurance companies and financial groups.

The scope of the ECB guidelines in question is not limited to the euro area, even though the guidelines themselves are linked to the monetary policy framework. Thus, the arguments for not distinguishing between the EEA/EFTA states and the EEA/EU states are valid.

A tightening of eligibility criteria as interpreted above will affect approximately EUR 17 bn. of Norwegian UBBs in a negative manner. We have not observed any changes in the quality or market conditions with regards to Norwegian UBBs that could justify the exclusion as eligible collateral. Indeed, we are generally confident that an assessment on UBBs from EEA-countries such as Norway would show the relative strength of these instruments and the issuing institutions.

Against this background we encourage the ECB to reconsider the decision to exclude EEA/EFTA UBBs. If this is not deemed possible, we would appreciate if you would share the reasoning behind this decision with the interested parties.

Yours sincerely,

**Finance Norway**



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Director



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