Question for written answer Z-000015/2024
to the European Central Bank
Rule 146
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Subject: Collateral framework

Central banks worldwide normally accept debt of their own governments as collateral in liquidity operations without reservations. The European Central Bank (ECB) is an interesting exception in this respect. It relies on external assessments of the creditworthiness of EU Member States, such as credit ratings, to determine eligibility and the haircut it imposes on such debt. After a suspension period of two years, since March 2022, the ECB has reserved the right to deviate from credit rating agencies' ratings if warranted, thereby avoiding mechanistic reliance on these ratings. Referring to this framework, in June 2022 President Lagarde stressed that 'this is work in progress'.

1. Given that more than two years have passed since President Lagarde's statement, can the ECB provide an update on the state of play on the collateral framework?

2. Can the ECB clarify whether its collateral framework creates cliff effects and contributes to fuelling the risk of fragmentation in the euro area, and thus increases the vulnerability of governments to external shocks?

3. Can the ECB explain how its current collateral framework can prevent concerns of an expected downgrade from depressing government bond prices and, by worsening the fiscal burden, being self-fulfilling?