



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Information Release

10 February 2012

Central Bank of Ireland eligibility criteria for additional credit claims

Further to the announcement of 09 February 2012 –“Eligibility Criteria for Additional Credit Claim”, the Central Bank of Ireland further wishes to confirm that:

Criteria:

It will accept pools of secured credit claims (including mortgages) and unsecured credit claims (other loans) as collateral against Eurosystem operations.

Such credit claims will be subject to the Bank’s valuation and risk control criteria and will be accepted by the Bank under contractual arrangements with individual counterparties.

The Bank intends to phase-in the various collateral types which it will accept under this initiative over several months.

Pools of credit claims, in the form of Irish residential mortgage loans, and secured and unsecured loans to non-financial corporates, will be accepted using established legal instruments. On a phased basis the Bank will also accept residential mortgages governed by UK law, or secured by UK assets, subject to confirmation from lawyers in the UK that the Bank’s legal instruments would be valid and enforceable.

Requirements on collateral securing the loan:

In relation to pools of residential mortgages, the loans in the cover pool will be secured against residential property located in Ireland and the UK. They will be accepted under an amended version of the Central Bank of Ireland’s Framework Agreement for Mortgage Backed Promissory Notes (MBPNs), modified to include specific additional risk control and legal criteria. The Bank is currently working on these amendments.

In relation to secured and unsecured credit claims (loans to non-financial corporates), such loans must comply with the criteria set forth in the Bank's Documentation on Monetary Policy Instruments and Procedures 2012 pertaining to credit claims, and will be accepted following modifications by the CBI, in particular to the Bank's Deed of Floating Charge over Certain Loans.

Risk Control Measures

- The maximum probability of default (PDs) for individual loans against which liquidity will be provided in the cover pools is 1.5%.
- The Internal Ratings Based (IRB) models used to provide the PDs must be approved by the Central Bank of Ireland.
- The haircut methodology applied will be rigorous and risk-based
- GBP denominated loans will be subject to an additional FX haircut.

Requirements on size (individual loans)

- i. Pools of credit claims (secured - residential & commercial mortgages):
> 10k
- ii. Pools of credit claims (unsecured):
> 250K

Requirements on minimum or maximum maturity (individual loans)

- i. Pools of credit claims (secured - residential & commercial mortgages):
> 3 months and < 40 years
- ii. Pools of credit claims (unsecured):
As per section 6.4.3 of the Eurosystem's General Documentation – no maximum maturity.