

# FAQ on Eurosystem repo facility for central banks (EUREP)

Last updated on 05 December 2022

## Q1 What is the purpose of EUREP?

EUREP was initially part of the ECB's package of coronavirus (COVID-19) response measures. The repo facility was subsequently extended, owing to the environment of uncertainty caused by the Russian invasion of Ukraine and the risk of regional spillovers affecting euro area financial markets. It aims to safeguard the smooth transmission of monetary policy in the euro area. By providing euro liquidity to a broad set of non-euro area central banks in times of crisis, EUREP reduces risks related to episodes of euro-denominated asset sell-offs and spillovers of market dysfunctions from other economies to the euro area, including through global confidence effects. EUREP is a backstop facility, which means that pricing is set in a way that makes it attractive only under adverse market conditions.

## Q2 Which central banks can ask for a EUREP line?

Non-euro area central banks can request a repo line under EUREP. Access to EUREP repo lines is subject to Governing Council approval.

## Q3 How does EUREP fit into the existing framework of swap and repo lines offered by the ECB?

EUREP is a precautionary, time-bound backstop facility. It was initially rolled out as part of the ECB's crisis response measures to address the adverse impact of the COVID-19 pandemic.

EUREP complements the bilateral swap and repo lines that the ECB has arranged with non-euro area central banks.

The ECB has standing swap line agreements with major central banks whose currencies play a significant role in global financial markets, including the Bank of Canada, Bank of England, Bank of Japan, Federal Reserve System and Swiss National Bank. Under a swap line, the ECB exchanges euro against another currency.

The ECB also grants bilateral repo lines to provide euro liquidity to a non-euro area central bank in exchange for euro-denominated collateral.

While EUREP is accessible to a broad range of non-euro area central banks, EUREP pricing is slightly more expensive than the pricing under a bilateral repo or swap line, and the range of collateral is narrower than for a bilateral repo line.

All requests for euro liquidity lines from non-euro area central banks are thoroughly assessed by the Governing Council, which decides on the most suitable instrument to provide euro liquidity, if warranted, on a case-by-case basis.

## Q4 How are EUREP liquidity lines implemented?

EUREP liquidity lines are implemented under a harmonised Eurosystem framework. Non-euro area central banks can borrow euro liquidity against adequate collateral, consisting of euro-denominated marketable debt securities issued by euro area central governments and supranational institutions.

### **Q5 Who benefits from these arrangements?**

The provision of euro liquidity to non-euro area central banks aims to alleviate euro liquidity needs in those countries when there is a stressed market environment. Potential beneficiaries are banks that need euro funding but are not able to obtain it in the market or can only do so at prohibitive prices. Overall, these arrangements aim to facilitate a smooth transmission of monetary policy in the euro area to the benefit of all euro area citizens.