Empirical investigations on the role of Additional Credit Claims (ACCs) in the collateral framework
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Abstract

This work investigates the role of Additional Credit Claims (ACCs) in banks' collateral pools. As part of the Eurosystems' broadening of monetary policy operations over the past decades, ACCs have been widely used as collateral throughout many jurisdictions, also linked to pandemic collateral easing measures and the expansion of different TLTRO series. However, despite their common usage, there is little comprehensive quantitative evidence about how ACC usage has affected collateral pool concentration of banks over time and how ACCs relate to other, mostly marketable types of assets. This work thus zooms into concentration and elasticity patterns using a range of different descriptive and econometric approaches.

Empirical setup and data

Key research questions:
- How concentrated is ACC usage as collateral?
- How do ACCs relate to marketable assets with similar underlying assets?

Focus on 3 sub-analyses:
- Within-collateral pool elasticities
- Issuance pass-through
- Securities flows and usage

Data:
- Dataset 1: weekly MFI panel (2019-2023) of mobilized collateral by asset class + issuance of covered bonds (C2D + RIAD)
- Dataset 2: quarterly Banking group panel (2019-2023) of securities holdings linked with collateral data (SHS-G, C2D, RIAD, CSDB)
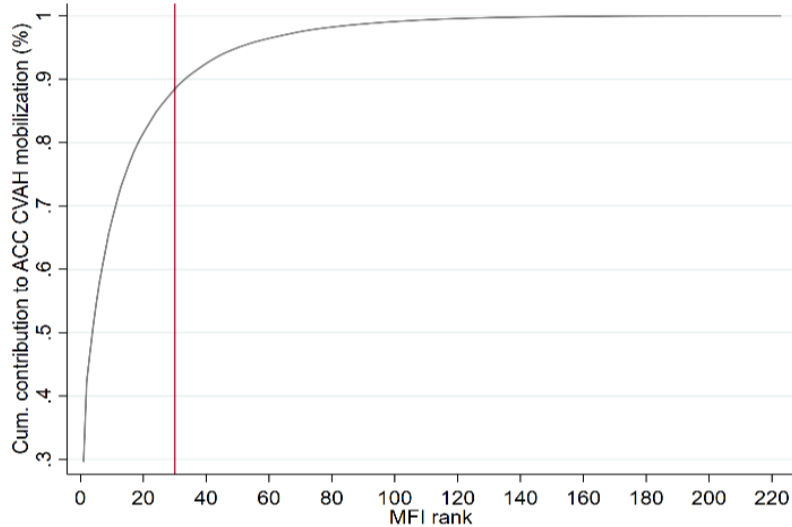
Concentration of ACC usage across banks

Question: Who uses ACCs?

Empirical strategy: cumulative distribution of MFIs contributing to total ACC CVAH (2019-2023)

Key findings:
- The top 30 MFIs account for 90% of the total CVAH mobilized in ACCs
- Findings suggest that ACC usage is strongly concentrated

Notes: Staff computations based on C2D data. Figure shows cumulative distribution of mobilized ACC CVAH between 2019 and 2023. The x-axis indicates the rank of an MFI in the distribution, i.e. it orders MFIs by increasing contribution to the total ACC CVAH mobilized.
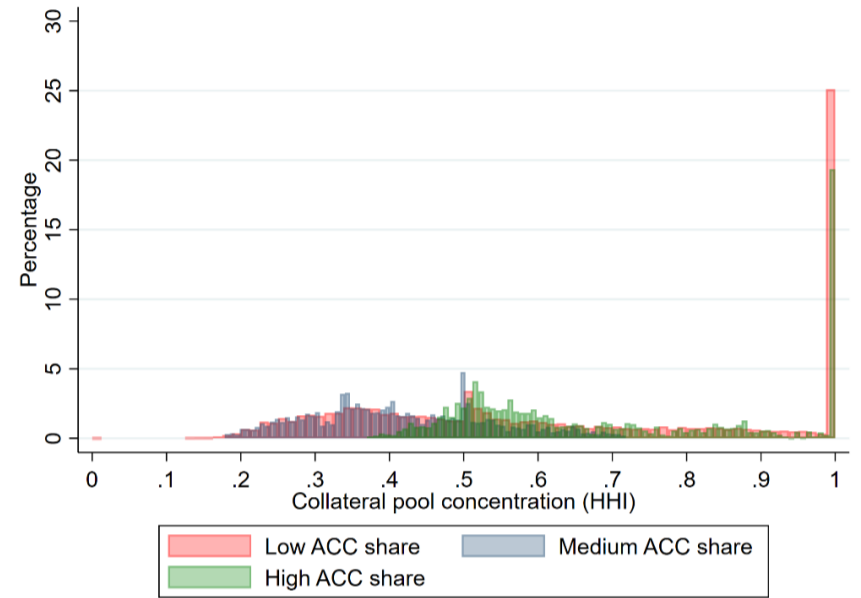
Concentration of collateral pools by ACC usage

Question: Does ACC usage lead to excess concentration of pools?

Empirical strategy: Herfindahl index + K-means on ACC share

Key findings:
- Concentrations for most MFIs are evenly distributed, i.e., most collateral pools are diversified.
- ACC users do not systematically differ from frequent users of other asset classes
- However, in absolute terms, some MFIs have high concentration of collateral pools stemming from ACC usage as collateral

Notes: Staff computations based on C2D data. Figure shows the distribution of collateral pool concentrations of MFIs between 2019 and 2023 as measured by a Herfindahl Hirschman Index (HHI). MFI-snapshot date observations are clustered according to the ACC share in collateral pools using K-means.

Relationship of non-marketable and marketable with similar underlying assets

Question: How do banks interchange ACCs with ABS and/or covered bonds **at jurisdiction level**?

Empirical strategy: Log-Log OLS estimation (dep. var: CVAH cov. bonds/ABS, ind. var: ACC CVAH) → elasticity of ACC usage

Key findings:
- Drop in magnitude of coefficients: bank specificities matter and explain a high amount of variation in the data
- Relevance of ACCs is heterogeneous and requires various jurisdiction/bank-specific considerations
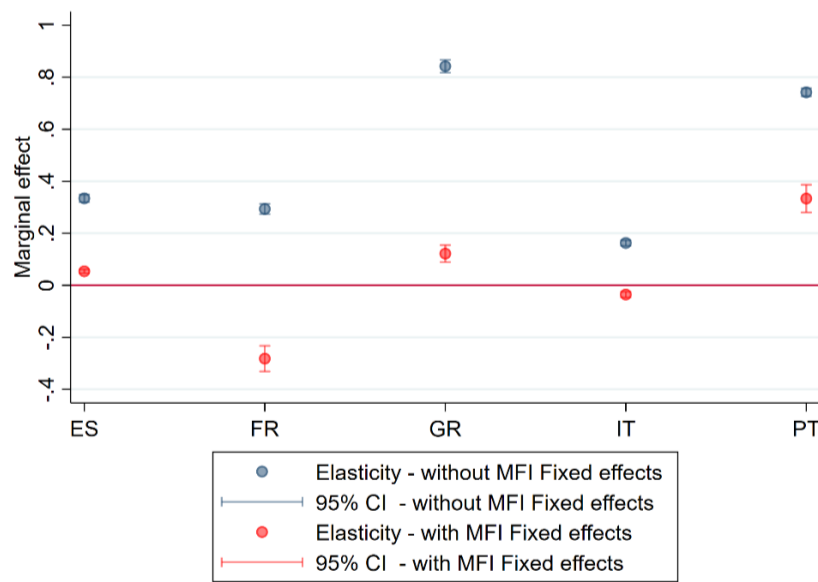
Notes: Staff computations based on C2D data. Figure shows elasticities of ACC collateral vis-a-vis ABS and covered bonds collateral using an OLS estimation with and without control variables. The control variables include balance sheet size, revenue, year and MFI fixed effects as well as the log of TLTRO outstanding.
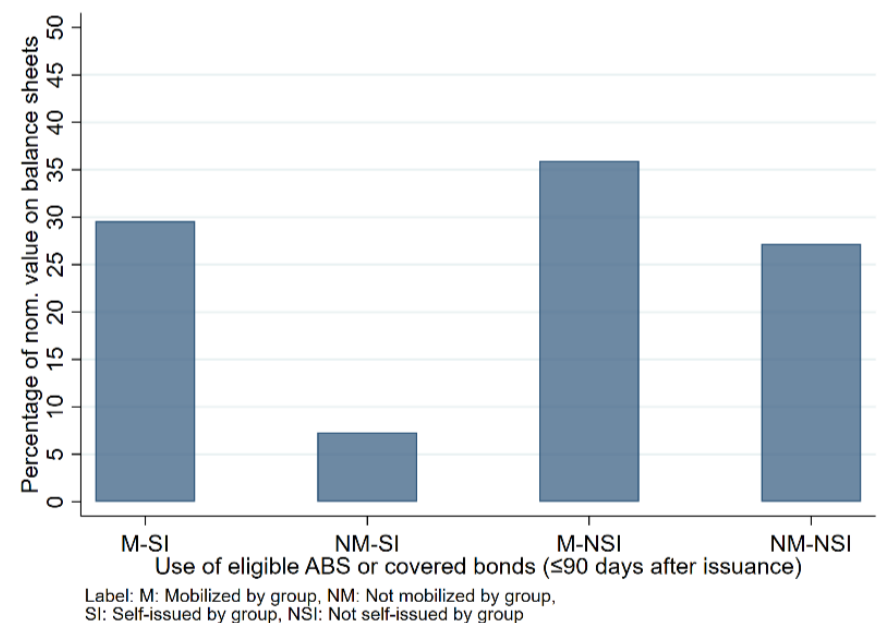
Notes: Staff computations based on C2D, SHS-G and CSDB data. The charts show the distribution of nominal value of covered bonds and ABS held on balance sheets of large banking groups according to the encumbrance status and the issuer.

Conclusions

- In terms of volumes, ACC usage is concentrated on 30 banks

- In relative terms, however, collateral pools of frequent ACC users are not systematically more concentrated than those of other banks

- Elasticities between ACCs and ABS/covered bonds are overall muted at aggregate/national level and point to stark bank-level heterogeneity

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