

Central Bank Collateral Frameworks and Covered Bonds

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Abstract

This study contributes to the current debate on central bank collateral frameworks. It relates to the idea that the collateral policy of central banks affects the types of securities that banks issue ([Nyborg, 2016](#)). In particular, the European Central Bank's collateral policy might incentivize banks to encumber their balance sheet by issuing covered bonds. Evidence consistent with this is provided by examining issuing patterns around rating downgrades.