Figure 2.6. Central Bank Collateral Policies

Increasing the range of assets eligible to be posted as collateral for central bank credit increases market liquidity.

**Market Liquidity and Collateral Eligibility**

(Percent change in median bid-ask spread)

Sources: Bloomberg, L.P.; European Central Bank; and IMF staff estimates.

Note: The figure shows the percent change in liquidity for bonds that become eligible as collateral, before and after the announcement. The frequency is daily, and liquidity is measured by quoted bid-ask spreads. See Annex 2.2 for details.

FX = foreign currency.