FRANKFURT—The European Central Bank has temporarily suspended the eligibility of Greek bonds as collateral at the central bank's monetary policy operations, the central bank announced Tuesday.

The decision follows the rating agency Standard & Poor's decision to cut Greece's long-term credit rating to selective default from double-C, after last week's rescue package of €130 billion ($174 billion) in loans until 2014 which includes hefty write-downs on Greek bonds held by private investors.

"The governing council of the European Central Bank has decided to temporarily suspend the eligibility of marketable debt instruments issued or fully guaranteed by the Hellenic Republic for use as collateral in eurosystem monetary policy operations. This decision takes into account the rating of the Hellenic Republic as a result of the launch of the private sector involvement offer," the ECB wrote in a statement.

Nevertheless, the governing council decided that the liquidity needs of financial institutions which have been affected could be met by the relevant national central banks via so-called emergency liquidity assistance.

The ECB said debt instruments guaranteed by Greece would become eligible again in principle, "upon activation of the collateral enhancement scheme agreed by the Heads of State or Government of the euro area on 21 July 2011, and confirmed on 26 October 2011, together with a number of other measures aimed at assisting Greece in its adjustment program."

The bank said this is expected to take place by mid-March.