This document is meant purely as a documentation tool and the institutions do not assume any liability for its contents

►B

DECISION (EU) 2015/774 OF THE EUROPEAN CENTRAL BANK

of 4 March 2015

on a secondary markets public sector asset purchase programme (ECB/2015/10)

(OJ L 121, 14.5.2015, p. 20)

Amended by:

		Official Journal		
		No	page	date
►M1	Decision (EU) 2015/2101 of the European Central Bank of 5 November 2015	L 303	106	20.11.2015
►M2	Decision (EU) 2015/2464 of the European Central Bank of 16 December 2015	L 344	1	30.12.2015
►M3	Decision (EU) 2016/702 of the European Central Bank of 18 April 2016	L 121	24	11.5.2016

▼B

DECISION (EU) 2015/774 OF THE EUROPEAN CENTRAL BANK

of 4 March 2015

on a secondary markets public sector asset purchase programme (ECB/2015/10)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union, and in particular to the first indent of Article 127(2) thereof,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank, and in particular to the second subparagraph of Article 12.1 in conjunction with the first indent of Article 3.1, and Article 18.1 thereof,

Whereas:

(1) In accordance with Article 18.1 of the Statute of the European System of Central Banks and of the European Central Bank (hereinafter the 'Statute of the ESCB'), the European Central Bank (ECB), together with the national central banks of the Member States whose currency is the euro (hereinafter the 'NCBs') may operate in the financial markets by, among other things, buying and selling marketable instruments outright, in order to achieve the objectives of the ESCB.

(2) On 4 September 2014, the Governing Council decided to initiate a third covered bond purchase programme (hereinafter the 'CBPP3') and an asset-backed securities purchase programme (ABSPP). Alongside the targeted longer-term refinancing operations introduced in September 2014, these asset purchase programmes are aimed at further enhancing the transmission of monetary policy, facilitating credit provision to the euro area economy, easing borrowing conditions of households and firms and contributing to returning inflation rates to levels closer to 2 %, consistent with the primary objective of the ECB to maintain price stability.

(3) On 22 January 2015, the Governing Council decided that asset purchases should be expanded to include a secondary markets public sector asset purchase programme (hereinafter the 'PSPP'). Under the PSPP the NCBs, in proportions reflecting their respective shares in the ECB's capital key, and the ECB may purchase outright eligible marketable debt securities from eligible counterparties on the secondary markets. This decision was taken as part of the single monetary policy in view of a number of factors that have materially increased the downside risk to the medium-term outlook on price developments, thus jeopardising the achievement of the ECB's primary objective of maintaining price stability. These factors include lower than expected monetary stimulus from adopted monetary policy measures, a downward drift in most indicators of actual and expected euro area inflation — both headline measures and measures excluding the impact of volatile components, such as

▼B

energy and food — towards historical lows, and the increased potential of second-round effects on wage and price-setting stemming from a significant decline in oil prices.

(4) The PSPP is a proportionate measure for mitigating the risks to the outlook on price developments, as it will further ease monetary and financial conditions, including those relevant to the borrowing conditions of euro area non-financial corporations and households, thereby supporting aggregate consumption and investment spending in the euro area and ultimately contributing to a return of inflation rates to levels below but close to 2 % over the medium term. In an environment where key ECB interest rates are at their lower bound, and purchase programmes focussing on private sector assets are judged to have provided measurable, but insufficient, scope to address the prevailing downside risks to price stability, it is necessary to add to the Eurosystem's monetary policy measures the PSPP as an instrument that features a high transmission potential to the real economy. Thanks to its portfolio re-balancing effect, the sizable purchase volume of the PSPP will contribute to achieving the underlying monetary policy objective of inducing financial intermediaries to increase their provision of liquidity to the interbank market and credit to the euro area economy.

(5) The PSPP contains a number of safeguards to ensure that the envisaged purchases will be proportionate to its aims, and that the related financial risks have been duly taken into account in its design and will be contained through risk management. To allow for the smooth operation of markets in eligible marketable debt securities, and to avoid obstructing orderly debt restructurings, thresholds will apply to the purchases of those securities by the Eurosystem central banks.

(6) The PSPP complies fully with the obligations of the Eurosystem central banks under the Treaties, including the monetary financing prohibition, and does not impair the operation of the Eurosystem in accordance with the principle of an open market economy with free competition.

(7) In terms of the size of the PSPP, the ABSPP and the CBPP3, the liquidity provided to the market by the combined monthly purchases will amount to EUR 60 billion. Purchases are intended to be carried out until the end of September 2016 and will, in any case, be conducted until the Governing Council sees a sustained adjustment in the path of inflation which is consistent with its aim of achieving inflation rates below, but close to, 2 % over the medium term.

(8) With a view to ensuring the effectiveness of the PSPP, the Eurosystem hereby clarifies that it accepts the same (*pari passu*) treatment as private investors as regards the marketable debt securities that the Eurosystem may purchase under the PSPP, in accordance with the terms of such instruments.

(9) The purchases of eligible marketable debt instruments by the Eurosystem under the PSPP should be implemented in a decentralised manner, giving due regard to market price formation and market functioning considerations, and coordinated by the ECB, thereby safeguarding the singleness of the Eurosystem's monetary policy,

▼B

HAS ADOPTED THIS DECISION:

Article 1

Establishment and scope of PSPP

The Eurosystem hereby establishes the PSPP under which the Eurosystem central banks shall purchase eligible marketable debt securities, as defined in Article 3, on the secondary markets, from eligible counterparties, as defined in Article 7, under specific conditions.

Article 2

Definitions

For the purposes of this Decision, the following definitions apply:

(1) 'Eurosystem central bank' means the ECB and the national central banks of the Member States whose currency is the euro (hereinafter the 'NCBs');

(2) 'recognised agency' means an entity that the Eurosystem has classified as such for the purpose of the PSPP;

(3) 'international organisation' means an entity within the meaning of Article 118 of Regulation (EU) No 575/2013 of the European Parliament and of the Council [1] and that the Eurosystem has classified as such for the purpose of the PSPP;

(4) 'multilateral development bank' means an entity within the meaning of Article 117(2) of Regulation (EU) No 575/2013 and that the Eurosystem has classified as such for the purpose of the PSPP;

(5) 'positive outcome of a review' means the later of the following two decisions: the decision by the Board of Directors of the European Stability Mechanism and, in case the International Monetary Fund co-finances the financial assistance programme, the Executive Board of the International Monetary Fund to approve the next disbursement under that programme, on the understanding that both decisions are necessary for the resumption of purchases under the PSPP.

Lists of the entities referred to in points (2) to (4) are published on the ECB's website.

Article 3

Eligibility criteria for marketable debt securities

▼M2

1. Subject to the requirements laid down in Article 3, euro-denominated marketable debt securities issued by central, regional or local governments of a Member State whose currency is the euro, recognised agencies located in the euro area, international organisations located in the euro area and multilateral development banks located in the euro area shall be eligible for purchases by the Eurosystem central banks under the PSPP. In exceptional circumstances, where the envisaged purchase amount cannot be attained, the Governing Council may decide to purchase marketable debt securities issued by other entities located in the euro area, in accordance with the conditions laid down in paragraph 4.

[1] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

▼M3

2. In order to be eligible for purchase under the PSPP, marketable debt securities shall comply with the eligibility criteria for marketable assets for Eurosystem credit operations pursuant to Part Four of Guideline (EU) 2015/510 of the European Central Bank (ECB/2014/60) ([1]), subject to the following requirements:

(a) the issuer or guarantor of the marketable debt securities shall have a credit quality assessment of at least Credit Quality Step 3 in the Eurosystem's harmonised rating scale expressed in the form of at least one public credit rating provided by an external credit assessment institution (ECAI) accepted within the Eurosystem credit assessment framework;

(b) if multiple ECAI issuer ratings or ECAI guarantor ratings are available, the first-best rule shall apply, i.e. the best available ECAI issuer rating or ECAI guarantor rating shall apply. If the fulfilment of the credit quality requirements is established based on an ECAI guarantor rating, the guarantee shall fulfil the features of an acceptable guarantee as laid down in Article 87 and Articles 113 to 115 of Guideline (EU) 2015/510 (ECB/2014/60);

(c) in the absence of an ECAI issuer rating and an ECAI guarantor rating, a marketable debt security shall have at least one ECAI issue rating of at least Credit Quality Step 3 on the Eurosystem's harmonised rating scale;

(d) if the credit assessment provided by an accepted ECAI for the issuer, guarantor or issue does not comply with at least Credit Quality Step 3 in the Eurosystem's harmonised rating scale, marketable debt securities shall be eligible only if they are issued or fully guaranteed by the central governments of euro area Member States under a financial assistance programme and in respect of which the application of the Eurosystem's credit quality threshold is suspended by the Governing Council pursuant to Article 8 of Guideline ECB/2014/31 ([2]);

(e) in the event of a review of an ongoing financial assistance programme, eligibility for PSPP purchases shall be suspended and shall resume only in the event of a positive outcome of the review.

▼M2

3. In order to be eligible for purchases under the PSPP, debt securities, within the meaning of paragraphs 1 to 2, shall have a minimum remaining maturity of 2 years and a maximum remaining maturity of 30 years at the time of their purchase by the relevant Eurosystem central bank. In order to facilitate smooth implementation, marketable debt instruments with a remaining maturity of 30 years and

([1]) Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60) (OJ L 91, 2.4.2015, p. 3).

([2]) Guideline ECB/2014/31 of the European Central Bank of 9 July 2014 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral and amending Guideline ECB/2007/9 (OJ L 240, 13.8.2014, p. 28).

▼M2

364 days shall be eligible under the PSPP. National central banks shall also carry out substitute purchases of marketable debt securities issued by international organisations and multilateral development banks if the envisaged amounts to be purchased in marketable debt securities issued by central, regional or local governments and recognised agencies cannot be attained.

4. Eurosystem central banks may, in exceptional circumstances, propose to the Governing Council public non-financial corporations located in their jurisdiction as issuers of marketable debt instruments to be purchased as substitutes in case the envisaged amounts to be purchased in marketable debt instruments issued by central, regional or local governments and recognised agencies located in their jurisdiction cannot be attained.

The proposed public non-financial corporations shall at least fulfil both of the following criteria:

— be a 'non-financial corporation' as defined in Regulation (EU) No 549/2013 of the European Parliament and of the Council ([1]),

— be a 'public sector entity', meaning an entity within the meaning of Article 3 of Council Regulation (EC) No 3603/93 ([2]).

Following approval by the Governing Council, euro-denominated marketable debt instruments issued by such public non-financial corporations located in the euro area which comply with: (i) the eligibility criteria for marketable assets as collateral for Eurosystem credit operations, as per Part Four of Guideline (EU) 2015/510 of the European Central Bank (ECB/2014/60) ([3]); and (ii) the requirements in paragraphs 2 and 3 shall be eligible for substitute purchases under the PSPP.

▼B

5. In principle, purchases of nominal marketable debt instruments at a negative yield to maturity (or yield to worst) above the deposit facility rate are permissible.

Article 4

Limitations on the execution of purchases

1. To permit the formation of a market price for eligible securities, no purchases shall be permitted in a newly issued or tapped security and the marketable debt instruments with a remaining maturity that are close in time, before and after, to the maturity of the marketable debt instruments to be issued, over a period to be determined by the Governing Council ('blackout period'). For syndications, the blackout period in question is to be respected on a best effort basis before the issuance.

([1]) Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union (OJ L 174, 26.6.2013, p. 1).

([2]) Council Regulation (EC) No 3603/93 of 13 December 1993 specifying definitions for the application of the prohibitions referred to in Articles 104 and 104b(1) of the Treaty (OJ L 332, 31.12.1993, p. 1).

([3]) Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60) (OJ L 91, 2.4.2015, p. 3).

▼B

2. For debt securities issued or fully guaranteed by the central governments of euro area Member States under a financial assistance programme, the period of purchases under the PSPP after a positive outcome of each programme review shall, as a rule, be limited to two months, unless there are exceptional circumstances justifying a suspension of purchases before or a continuation of purchases after such period and until the start of the next review.

▼M3

Article 5

Purchase limits

1. Subject to Article 3, an issue share limit per international securities identification number (ISIN) shall apply under the PSPP to marketable debt securities fulfilling the criteria laid down in Article 3, after consolidating holdings in all of the portfolios of the Eurosystem central banks. The issue share limit shall be as follows:

(a) 50 % per ISIN for eligible marketable debt securities issued by eligible international organisations and multilateral development banks;

(b) 33 % per ISIN for other eligible marketable debt securities, with the exception of 25 % per ISIN for such eligible marketable debt securities containing a collective action clause (CAC) that differs from the euro area model CAC elaborated by the Economic and Financial Committee and implemented by the Member States in accordance with Article 12(3) of the Treaty establishing the European Stability Mechanism, but will be increased to 33 %, subject to verification on a case-by-case basis that a holding of 33 % per ISIN of those securities would not lead the Eurosystem central banks to reach blocking minority holdings in orderly debt restructurings.

2. All marketable debt securities eligible for purchase under the PSPP and which have the remaining maturities specified in Article 3 shall be subject to an aggregate limit, after consolidating holdings in all of the portfolios of the Eurosystem central banks, of:

(a) 50 % of the outstanding securities of an issuer which is an eligible international organisation or a multilateral development bank; or

(b) 33 % of the outstanding securities of an issuer other than an eligible international organisation or a multilateral development bank.

3. With regard to the debt securities referred to in point (d) of Article 3(2), different issuer and issue share limits shall apply. These limits will be set by the Governing Council taking due account of risk management and market functioning considerations.

▼B

Article 6

Allocation of portfolios

▼M3

1. Of the book value of purchases of marketable debt securities eligible under the PSPP, 10 % shall be purchased in securities issued by eligible international organisations and multilateral development banks, and 90 % of that book value shall be purchased in securities issued by eligible central, regional or local governments and recognised agencies or, where applicable pursuant to Article 3(4) of this Decision, in securities issued by eligible public non-financial corporations. This allocation is subject to revision by the Governing Council. Purchases of debt securities issued by eligible international organisations, multilateral development banks and regional and local governments shall be made by NCBs only.

2. The NCBs' share of the book value of purchases of marketable debt securities eligible under the PSPP shall be 90 %, and the remaining 10 % shall be purchased by the ECB. The distribution of purchases across jurisdictions shall be in accordance with the key for subscription of the ECB's capital as referred to in Article 29 of the Statute of the ESCB.

▼B

3. Eurosystem central banks shall apply a specialisation scheme for the allocation of marketable debt securities to be purchased under the PSPP. The Governing Council shall allow for *ad hoc* deviations from the specialisation scheme should objective considerations obstruct the achievement of the said scheme or otherwise render deviations advisable in the interests of attaining the overall monetary policy objectives of the PSPP. In particular, each NCB shall purchase eligible securities of issuers of its own jurisdiction. Securities issued by eligible international organisations and multilateral development banks may be purchased by all NCBs. The ECB shall purchase securities issued by central governments and recognised agencies of all jurisdictions.

Article 7

Eligible counterparties

The following shall be eligible counterparties for the PSPP:

(a) entities that fulfil the eligibility criteria to participate in Eurosystem monetary policy operations pursuant to Section 2.1 of Annex I to Guideline ECB/2011/14; and

(b) any other counterparties that are used by Eurosystem central banks for the investment of their euro-denominated investment portfolios.

Article 8

Transparency

1. The Eurosystem shall publish on a weekly basis the aggregate book value of the securities held under the PSPP in the commentary of its consolidated weekly financial statement.

▼B

2. The Eurosystem shall publish on a monthly basis the weighted average residual maturity by issuer residence, separating international organisations and multilateral development banks from other issuers, of its PSPP holdings.

3. The book value of securities held under the PSPP shall be published on the ECB's website under the open market operations section on a weekly basis.

Article 9

Securities lending

The Eurosystem shall make securities purchased under PSPP available for lending, including repos, with a view to ensuring the effectiveness of the PSPP.

Article 10

Final provision

This Decision shall enter into force on the day following its publication on the ECB's website. It shall apply from 9 March 2015.