



EUROPEAN CENTRAL BANK

EUROSYSTEM

PRESS RELEASE

22 January 2015

ECB announces expanded asset purchase programme

- **ECB expands purchases to include bonds issued by euro area central governments, agencies and European institutions**
- **Combined monthly asset purchases to amount to €60 billion**
- **Purchases intended to be carried out until at least September 2016**
- **Programme designed to fulfil price stability mandate**

The Governing Council of the European Central Bank (ECB) today announced an expanded asset purchase programme. Aimed at fulfilling the ECB's price stability mandate, this programme will see the ECB add the purchase of sovereign bonds to its existing private sector asset purchase programmes in order to address the risks of a too prolonged period of low inflation.

The Governing Council took this decision in a situation in which most indicators of actual and expected inflation in the euro area had drifted towards their historical lows. As potential second-round effects on wage and price-setting threatened to adversely affect medium-term price developments, this situation required a forceful monetary policy response.

Asset purchases provide monetary stimulus to the economy in a context where key ECB interest rates are at their lower bound. They further ease monetary and financial conditions, making access to finance cheaper for firms and households. This tends to support investment and consumption, and ultimately contributes to a return of inflation rates towards 2%.

The programme will encompass the asset-backed securities purchase programme (ABSPP) and the covered bond purchase programme (CBPP3), which were both launched late last year. Combined monthly purchases will amount to €60 billion. They are intended to be carried out until at least September

European Central Bank Directorate General Communications & Language Services
Global Media Relations Division, Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany
Tel.: +49 69 1344 7455, e-mail: media@ecb.europa.eu, website: www.ecb.europa.eu

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2016 and in any case until the Governing Council sees a sustained adjustment in the path of inflation that is consistent with its aim of achieving inflation rates below, but close to, 2% over the medium term.

The ECB will buy bonds issued by euro area central governments, agencies and European institutions in the secondary market against central bank money, which the institutions that sold the securities can use to buy other assets and extend credit to the real economy. In both cases, this contributes to an easing of financial conditions.

The programme signals the Governing Council's resolve to meet its objective of price stability in an unprecedented economic and financial environment. The instruments deployed are appropriate in the current circumstances and in full compliance with the EU Treaties.

As regards the additional asset purchases, the Governing Council retains control over all the design features of the programme and the ECB will coordinate the purchases, thereby safeguarding the singleness of the Eurosystem's monetary policy. The Eurosystem will make use of decentralised implementation to mobilise its resources.

With regard to the sharing of hypothetical losses, the Governing Council decided that purchases of securities of European institutions (which will be 12% of the additional asset purchases, and which will be purchased by NCBs) will be subject to loss sharing. The rest of the NCBs' additional asset purchases will not be subject to loss sharing. The ECB will hold 8% of the additional asset purchases. This implies that 20% of the additional asset purchases will be subject to a regime of risk sharing.

For media queries, please contact Stefan Ruhkamp, tel.: +49 69 1344 5057.

Notes:

- A technical annex is published alongside this press release with further operational details.



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TECHNICAL ANNEX

22 January 2015

ECB announces operational modalities of the expanded asset purchase programme

The expanded asset purchase programme will comprise the ongoing purchase programmes for asset-backed securities (ABSPP) and covered bonds (CBPP3), and, as a new element, purchases of additional euro-denominated securities that meet the following eligibility criteria:

1. They fulfil the collateral eligibility criteria for marketable assets in order to participate in Eurosystem monetary policy operations, as specified in Guideline ECB/2011/14, as amended, subject to the fulfilment of the additional criteria listed in points 2-4 below.
2. They are issued by an entity established in the euro area classified in one of the following categories: central government, certain agencies established in the euro area or certain international or supranational institutions located in the euro area.
3. They have a first-best credit assessment from an external credit assessment institution of at least CQS3 for the issuer or the guarantor, provided the guarantee is eligible in accordance with Guideline ECB/2011/14, as amended.
4. Securities that do not achieve the CQS3 rating will be eligible, as long as the Eurosystem's minimum credit quality threshold is not applied for the purpose of their collateral eligibility. Moreover, during reviews in the context of financial assistance programmes for a euro area Member State, eligibility would be suspended and would resume only in the event of a positive outcome of the review.

Inflation-linked and floating rate securities issued by central governments, certain agencies established in the euro area and certain international or supranational institutions located in the euro area are eligible for purchase under the expanded asset purchase programme.

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All eligibility criteria and other modalities of the ABSPP and CBPP3 remain unaltered under the programme. In addition it was decided that:

- Securities purchased under the expanded asset purchase programme that are not covered by the ABSPP or CBPP3 must have a minimum remaining maturity of 2 years and a maximum remaining maturity of 30 years at the time of purchase.
- Securities purchased under the expanded asset purchase programme that are not covered by the ABSPP or CBPP3 will be subject to an issue limit, an aggregate holding limit and other operational modalities specified, in particular, with the aim of preserving market functioning and allowing the formation of a market price on a given security. Moreover, the limits ensure that the application of collective action clauses for a bondholder decision is not obstructed.
- Regarding creditor treatment, the Eurosystem accepts the same (*pari passu*) treatment as private investors with respect to securities purchased by the Eurosystem, in accordance with the terms of such securities.
- Purchases of securities under the expanded asset purchase programme that are not covered by the ABSPP or CBPP3 will be allocated across issuers from the various euro area countries on the basis of the ECB's capital key.
- Holdings of securities issued by central governments, certain agencies established in the euro area and certain international or supranational institutions located in the euro area will be valued at amortised cost, in line with Guideline ECB/2010/20 on the legal framework for accounting and financial reporting in the ESCB, as amended.
- The eligible counterparties for purchases shall be those eligible for the Eurosystem's monetary policy instruments, together with any other counterparties used by the Eurosystem for the investment of its euro-denominated portfolios.
- Holdings of securities issued by central governments, certain agencies established in the euro area and certain international or supranational institutions located in the euro area purchased under the expanded asset purchase programme will be eligible for securities lending.
- Transactions in securities purchased under the programme will be published in a weekly report which will list holdings at amortised cost by asset type. In addition, for securities purchased under the expanded asset purchase programme that are not covered by the ABSPP or CBPP3, a report of the amounts held, valued at amortised cost, and the weighted average remaining maturity by issuer residence will be released on a monthly basis.