# DECISION (EU) 2016/702 OF THE EUROPEAN CENTRAL BANK

## of 18 April 2016

## amending Decision (EU) 2015/774 on a secondary markets public sector asset purchase programme (ECB/2016/8)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union, and in particular 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 the second subparagraph of Article 12.1 in conjunction with the first indent of Article 3.1, and Article 18.1, thereof,

Whereas:

(1) Decision (EU) 2015/774 of the European Central Bank (ECB/2015/10) [1] established a secondary markets public sector asset purchase programme (hereinafter the 'PSPP'), which expanded the Eurosystem's existing asset purchase programmes to include public sector securities. Alongside the third covered bond purchase programme, the asset-backed securities purchase programme and the forthcoming corporate sector purchase programme, the PSPP is part of the expanded asset purchase programme (APP). The APP aims to enhance the transmission of monetary policy, facilitate the provision of credit to the euro area economy, ease borrowing conditions for households and firms and contribute to returning inflation rates to levels that are below but close to 2 % over the medium term, consistent with the European Central Bank's primary objective of maintaining price stability.

(2) In line with the Governing Council's mandate to ensure price stability, certain features of the PSPP should be modified in order to ensure a sustained adjustment in the path of inflation towards levels that are below, but close to 2 %, over the medium term. The changes are in line with the Governing Council's monetary policy mandate and duly reflect risk management considerations.

(3) More specifically, in order to achieve the PSPP's objectives, the liquidity provided to the market through the combined monthly purchases under the APP should be increased to EUR 80 billion.

(4) In addition, the issuer and issue share limits for marketable securities issued by eligible international organisations and multilateral development banks should be increased. The new threshold was determined in order to ensure that the envisaged purchases will continue to be proportionate to the aims of the PSPP, also considering that the risk of obstructing orderly debt restructurings is limited.

(5) Starting in April 2016, the allocation between purchases of eligible marketable debt securities issued by international organisations and multilateral development banks and purchases of other eligible marketable debt securities under the PSPP should be modified in order to achieve the PSPP's objectives and ensure its smooth implementation for the duration of the PSPP and at its increased purchase volume.

(6) Furthermore, for the purposes of the external credit assessment institution (ECAI) credit assessment of marketable debt securities, ECAI issue ratings should also be taken into account where neither the issuer nor the guarantor has an ECAI rating. However, the marketable security should nonetheless have the required issue rating to comply with the eligibility criteria for marketable assets for Eurosystem credit operations. Decision (EU) 2015/774 (ECB/2015/10) should take account of the fact that those eligibility criteria are now contained in Part Four of Guideline (EU) 2015/510 of the European Central Bank (ECB/2014/60) [2].

(7) Therefore, Decision (EU) 2015/774 (ECB/2015/10) should be amended accordingly,

---

(1) 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).

(2) 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).

HAS ADOPTED THIS DECISION:

*Article 1*

**Amendments**

Decision (EU) 2015/774 (ECB/2015/10) is amended as follows:

1. in Article 3, paragraph 2 is replaced by the following:

‘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) (*), 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 (**);

(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.

(*) 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).
(**) 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).’;

2. Article 5 is replaced by the following:

‘*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.';

3. in Article 6, paragraph 1 is replaced by the following:

'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.';

4. in Article 6, paragraph 2 is replaced by the following:

'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.'.

*Article 2*

**Entry into force**

This Decision shall enter into force on 19 April 2016. It shall apply from 19 April 2016.

Done at Frankfurt am Main, 18 April 2016.

*The President of the ECB*

Mario DRAGHI