

DECISION (EU) 2017/101 OF THE EUROPEAN CENTRAL BANK**of 11 January 2017****amending Decision ECB/2014/40 on the implementation of the third covered bond purchase programme (ECB/2017/2)**

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 ECB/2014/40 ⁽¹⁾ established the third covered bond purchase programme (hereinafter the 'CBPP3'). Alongside the asset-backed securities purchase programme, the secondary markets public sector asset purchase programme and the corporate sector purchase programme, the CBPP3 is part of the expanded asset purchase programme (APP). The APP aims to further 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 below but close to 2 % over the medium term, consistent with the primary objective of the European Central Bank (ECB) of maintaining price stability.
- (2) The purchase of assets under the APP is a proportionate measure for mitigating the risks to the outlook for 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. The APP fully complies with the obligations of the Eurosystem central banks under the Treaties, including the prohibition of monetary financing, and does not impair the operation of the Eurosystem in accordance with the principle of an open market economy with free competition.
- (3) On 8 December 2016, the Governing Council decided, in line with its mandate to ensure price stability, that certain parameters of the APP should be adjusted in order to achieve the APP's objectives. The adjustments are in line with the Governing Council's monetary policy mandate, fully comply with the obligations of the Eurosystem central banks under the Treaties and duly reflect risk management considerations.
- (4) More specifically, the intended horizon of purchases under the APP should be extended until the end of December 2017, or beyond, if necessary, and in any event 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.
- (5) The liquidity provided to the market through the combined monthly purchases under the APP should continue to amount to EUR 80 billion until the end of March 2017. From April 2017, the combined monthly purchases under the APP should proceed at a pace of EUR 60 billion until the end of December 2017, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim. If, in the meantime, the outlook becomes less favourable, or if financial conditions become inconsistent with further progress towards a sustained adjustment in the path of inflation, the Governing Council intends to increase the programme in terms of size and/or duration.
- (6) To ensure the continued smooth implementation of purchases under the APP over the intended horizon, purchases of securities under the APP with a yield to maturity below the interest rate on the ECB's deposit facility should be permitted to the extent necessary.

⁽¹⁾ Decision ECB/2014/40 of 15 October 2014 on the implementation of the third covered bond purchase programme (OJ L 335, 22.11.2014, p. 22).

(7) Therefore, Decision ECB/2014/40 should be amended accordingly,

HAS ADOPTED THIS DECISION:

Article 1

Amendment

In Article 2 of Decision ECB/2014/40, the following point 7 is added:

- ‘7. Purchases of nominal covered bonds at a negative yield to maturity (or yield to worst) equal to or above the deposit facility rate are permitted. Purchases of nominal covered bonds at a negative yield to maturity (or yield to worst) below the deposit facility rate are permitted to the extent necessary.’

Article 2

Entry into force

This Decision shall enter into force on 13 January 2017.

Done at Frankfurt am Main, 11 January 2017.

For the Governing Council of the ECB
The President of the ECB
Mario DRAGHI
