



**DECISION OF THE EUROPEAN CENTRAL BANK**  
**of 2 July 2009**  
**on the implementation of the covered bond purchase programme**  
**(ECB/2009/16)**

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty establishing the European Community and, in particular to the first indent of Article 105(2) thereof,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank (hereinafter the ‘Statute of the ESCB’) 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 ESCB, national central banks of Member States that have adopted the euro (hereinafter the ‘NCBs’) and the European Central Bank (ECB) (hereinafter jointly the ‘Eurosystem central banks’) may operate in the financial markets by, among other things, buying and selling outright marketable instruments.
- (2) On 7 May 2009 and subsequently on 4 June 2009 the Governing Council decided that in view of the current exceptional circumstances prevailing in the market a programme (hereinafter the ‘covered bond purchase programme’ or the ‘programme’) should be initiated under which the NCBs and exceptionally the ECB in direct contact with counterparties may according to their allocated share purchase outright eligible covered bonds. The Eurosystem central banks intend to implement the covered bond purchase programme gradually, taking into account market conditions and the Eurosystem’s monetary policy needs. The objectives of these purchases are to contribute to: (a) promoting the ongoing decline in money market term rates; (b) easing funding conditions for credit institutions and enterprises; (c) encouraging credit institutions to maintain and expand their lending to clients; and (d) improving market liquidity in important segments of the private debt securities market.

- (3) As part of the single monetary policy, the outright purchase of eligible covered bonds by Eurosystem central banks under the programme should be implemented in a uniform manner, in accordance with the terms of this Decision,

HAS DECIDED AS FOLLOWS:

#### *Article 1*

##### **Establishment and scope of the outright purchase of covered bonds**

The Eurosystem has established the programme under which the Eurosystem central banks shall purchase eligible covered bonds with a targeted nominal amount of EUR 60 billion. Under the programme, a Eurosystem central bank may decide to purchase eligible covered bonds from eligible counterparties in the primary and secondary markets according to the eligibility criteria contained in this Decision. Guideline ECB/2000/7 of 31 August 2000 on monetary policy instruments and procedures of the Eurosystem<sup>1</sup> shall not apply to the outright purchase of covered bonds by a Eurosystem central bank under the programme.

#### *Article 2*

##### **Eligibility criteria for covered bonds**

Covered bonds that are: (a) eligible for monetary policy operations as defined in Guideline ECB/2000/7; (b) denominated in euro; (c) issued by credit institutions incorporated in the euro area or by other entities incorporated in the euro area complying with conditions set forth in paragraph 4 below; and (d) held and settled in the euro area, shall be eligible for outright purchase under the programme, provided that they satisfy the following additional requirements:

1. They shall be either (i) covered bonds issued in accordance with the criteria set out in Article 22(4) of the UCITS Directive<sup>2</sup> (hereinafter the ‘UCITS-compliant covered bonds’), or (ii) structured covered bonds that a Eurosystem central bank at its sole discretion considers as offering safeguards similar to UCITS-compliant covered bonds.
2. Each covered bond issue shall, as a rule, have a minimum issue size of EUR 500 million. In special cases, a Eurosystem central bank may decide to purchase outright covered bonds with an issue size of below EUR 500 million, provided that the issue size is not below EUR 100 million, when this

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<sup>1</sup> OJ L 310, 11.12.2000, p. 1.

<sup>2</sup> Council Directive 85/611/EEC of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ L 375, 31.12.1985, p. 3).

Eurosystem central bank decides at its sole discretion that specific market circumstances or risk management considerations require such purchase.

3. The covered bond issue shall, as a rule, have a minimum rating of 'AA' or equivalent, awarded by at least one of the major rating agencies.
4. If the issuer of the covered bond is an entity (other than a credit institution) incorporated in the euro area, the conditions shall be that (i) such an entity only issues covered bonds, and (ii) the covered bonds are guaranteed in a manner satisfactory to the relevant Eurosystem central bank by a credit institution incorporated in the euro area, or, alternatively, have safeguards of a similar nature that satisfy the requirements of the relevant Eurosystem central bank.
5. The covered bonds shall be issued pursuant to legislation governing covered bonds that is in force in a euro area Member State. In the case of structured covered bonds, the law governing the documentation of the covered bonds shall be the law of a euro area Member State.

#### *Article 3*

#### **Eligible counterparties**

The following shall be eligible counterparties for the covered bond purchase programme: (a) domestic counterparties participating in Eurosystem monetary policy operations as defined in section 2.1 of Annex I to Guideline ECB/2000/7; and (b) any other counterparties established in the euro area (either through incorporation or through a branch) that are used by a Eurosystem central bank for the investment of its euro denominated investment portfolios.

#### *Article 4*

#### **Final provisions**

1. This Decision shall enter into force on the day following its publication on the ECB's website.
2. This Decision shall apply until 30 June 2010.

Done at Luxembourg, 2 July 2009.

[signed]

*The President of the ECB*

Jean-Claude TRICHET