Further to its decision of 4 September 2014 to launch a new covered bond purchase programme (CBPP3), the Governing Council of the European Central Bank (ECB) decided today on the following technical modalities of the programme:

- The purchases of euro-denominated covered bonds issued in the euro area will be distributed across the euro area and will be carried out progressively by the ECB and the Eurosystem NCBs by means of direct purchases.
- The purchases will be conducted in both the primary and secondary markets.
- In order to qualify for purchase under the programme, covered bonds must:
  - be eligible for monetary policy operations as defined in Guideline ECB/2011/14 as amended and, in addition, fulfil the conditions for their acceptance as own-used collateral as laid out in Section 6.2.3.2 (fifth paragraph, lit. (b)) of the same Guideline;
  - be issued by euro area credit institutions; or, in the case of multi-cédulas, by special purpose vehicles incorporated in the euro area;
  - be denominated in euro and held and settled in the euro area;
  - have underlying assets that include exposure to private and/or public entities;
  - have a minimum first-best credit assessment of credit quality step 3 (CQS3, currently equivalent to an ECAI rating of BBB- or equivalent);
  - for covered bond programmes which currently do not achieve the CQS3 rating in Cyprus and Greece, a minimum asset rating at the level of the maximum achievable covered bond rating defined for the jurisdiction will be required for as long as the Eurosystem’s minimum credit quality threshold is not applied in the collateral eligibility requirements for marketable debt instruments issued or guaranteed by the Greek or Cypriot governments, with the following additional risk mitigants: (i) monthly reporting of the pool and asset characteristics; (ii)
minimum committed over-collateralisation of 25%; (iii) currency hedges with at least BBB-rated counterparties for non-euro-denominated claims included in the cover pool of the programme or, alternatively, that at least 95% of the assets are denominated in euro; and (iv) claims must be against debtors domiciled in the euro area.

- Covered bonds issued by entities suspended from Eurosystem credit operations are excluded for the duration of the suspension.

- Counterparties eligible to participate in CBPP3 are those counterparties that are eligible for the Eurosystem’s monetary policy operations, together with any of the counterparties that are used by the Eurosystem for the investment of its euro-denominated portfolios.

- The Eurosystem will apply an issue share limit of 70% per ISIN, except in the case of covered bonds issued by issuers in Greece and Cyprus and not fulfilling the CQS3 rating requirement; for such covered bonds, an issue share limit of 30% per ISIN will be applied.

- The Eurosystem will conduct appropriate credit risk and due diligence procedures on the purchasable universe on an ongoing basis.

- Fully retained issues are eligible for CBPP3.

Furthermore, the Governing Council has decided to make its CBPP3 portfolio available for lending. Lending will be voluntary and conducted through security lending facilities offered by central securities depositories, or via matched repo transactions with the same set of eligible counterparties as for CBPP3 purchases.