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► **B** **DECISION (EU) 2020/187 OF THE EUROPEAN CENTRAL BANK**
 of 3 February 2020
on the implementation of the third covered bond purchase programme (ECB/2020/8)
 (recast)
 (OJ L 39, 12.2.2020, p. 6)

Amended by:

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► <u>M1</u>	Decision (EU) 2020/1688 of the European Central Bank of 25 September 2020		L 379	58	13.11.2020	



**DECISION (EU) 2020/187 OF THE EUROPEAN CENTRAL
BANK**

of 3 February 2020

**on the implementation of the third covered bond purchase
programme (ECB/2020/8)**

(recast)

Article 1

Establishment and scope of the outright purchase of covered bonds

The Eurosystem hereby establishes the third covered bond purchase programme (CBPP3) under which the Eurosystem central banks shall purchase eligible covered bonds within the meaning of Article 3. Under the CBPP3, eligible covered bonds may be purchased outright by the Eurosystem central banks from eligible counterparties in the primary and secondary markets according to the counterparty eligibility criteria laid down in Article 4.

Article 2

Definitions

For the purposes of this Decision, the following definitions shall apply:

- (1) ‘credit institution’ has the same meaning as credit institution as defined in point (1) of Article 4(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council ⁽¹⁾; and
- (2) ‘*multi cédulas*’ has the same meaning as *multi cédulas* as defined in point (62) of Article 2 of Guideline (EU) 2015/510 of the European Central Bank (ECB/2014/60) ⁽²⁾.

Article 3

Eligibility criteria for covered bonds

1. Covered bonds shall be eligible for outright purchase under the CBPP3 if they comply with the eligibility criteria for marketable assets for Eurosystem credit operations pursuant to Part Four of Guideline (EU) 2015/510 (ECB/2014/60), fulfil the conditions for their acceptance as own-used collateral as laid out in Article 138(3)(b) of Guideline (EU) 2015/510 (ECB/2014/60), are issued by credit institutions incorporated in the euro area and satisfy the requirements laid down in paragraph 3.

⁽¹⁾ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

⁽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).

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2. *Multi cédulas* shall be eligible for outright purchase under the CBPP3 provided that they are eligible for monetary policy operations in line with Part Four of Guideline (EU) 2015/510 (ECB/2014/60), are issued by special purpose vehicles incorporated in the euro area, and satisfy the requirements laid down in paragraph 3.

3. The covered bonds and *multi cédulas* referred to in paragraphs 1 and 2 shall be eligible for outright purchases under the CBPP3 provided that they satisfy the following requirements:

- (a) A minimum first-best credit quality assessment of 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, shall apply.
- (b) A 70 % issue share limit per international securities identification number to the joint holdings under the first⁽³⁾ (CBPP1) and second⁽⁴⁾ (CBPP2) covered bond purchase programmes and the CBPP3 and to the other holdings of Eurosystem central banks shall apply.
- (c) They shall be denominated in euro, held and settled in the euro area.

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- (d) Covered bonds issued by credit institutions whose access to Eurosystem monetary policy operations has been limited, suspended or excluded pursuant to Guideline (EU) 2015/510 (ECB/2014/60) shall be automatically excluded from purchases under the CBPP3 for the duration of the limitation, suspension or exclusion. By derogation from the first sentence of this point (d), the Governing Council shall retain its power, following a case-by-case assessment, to reassess the exclusion of covered bonds issued by a credit institution whose access to Eurosystem monetary policy operations has been limited, suspended or excluded pursuant to Guideline (EU) 2015/510 (ECB/2014/60) and to revoke the exclusion, if deemed appropriate.

⁽³⁾ Decision ECB/2009/16 of 2 July 2009 on the implementation of the covered bond purchase programme (OJ L 175, 4.7.2009, p. 18).

⁽⁴⁾ Decision ECB/2011/17 of 3 November 2011 on the implementation of the second covered bond purchase programme (OJ L 297, 16.11.2011, p. 70).

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- (e) For covered bonds which currently do not achieve the Credit Quality Step 3 rating in Cyprus and Greece, a minimum asset rating at the level of the maximum achievable covered bond rating defined by the respective ECAI for the jurisdiction shall be required. This shall 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 (pursuant to Article 8(2) of Guideline ECB/2014/31 ⁽⁵⁾), and a 30 % issue share limit per international securities identification number is applicable to the joint holdings of the CBPP1, CBPP2, CBPP3 and the other holdings of Eurosystem central banks, and provided that the covered bonds include all of the following elements in order to achieve risk equivalence:
- (i) monthly reporting of the cover pool characteristics, including loan-level data, as well as structural features of the covered bond programme and issuer information, to the national central bank (NCB) where the issuer is established; the reporting template shall be made available to the counterparties by the respective NCB;
 - (ii) minimum committed over-collateralisation of 25 %; the provisions for calculating the committed over-collateralisation shall be made available to the counterparties by the respective NCB;
 - (iii) currency hedges with counterparties rated BBB- or higher for non-euro denominated claims in the cover pool of the programme or, alternatively, at least 95 % of the assets are denominated in euro;
 - (iv) the credit claims in the cover pool are against debtors located in the euro area.
- (f) Covered bonds retained by their issuer shall be eligible for purchases under the CBPP3, provided that they fulfil the eligibility criteria specified above.
- (g) Purchases of nominal covered bonds at a negative yield to maturity (or yield to worst) equal to or above the deposit facility rate shall be permitted. Purchases of nominal covered bonds at a negative yield to maturity (or yield to worst) below the deposit facility rate shall be permitted to the extent necessary.
- (h) The issuer of the covered bonds is not an entity, whether publicly or privately owned, that:
- (i) has as its main purpose the gradual divestment of its assets and the cessation of its business; or

⁽⁵⁾ Guideline ECB/2014/31 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).

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- (ii) is an asset management or divestment entity established to support financial sector restructuring and/or resolution, including asset management vehicles resulting from a resolution action in the form of the application of an asset separation tool pursuant to Article 26 of Regulation (EU) No 806/2014 of the European Parliament and of the Council ⁽⁶⁾ or national legislation implementing Article 42 of Directive 2014/59/EU of the European Parliament and of the Council ⁽⁷⁾.
- (i) Covered bonds shall be excluded from purchases under the CBPP3 where they have a conditional pass-through structure, whereby pre-defined events lead to an extension of the bond's maturity and a switch to a payment structure dependent primarily on cash flows generated by the assets in the underlying cover pool.

*Article 4***Eligible counterparties**

The following shall be eligible counterparties for outright transactions under the CBPP3 and for securities lending transactions involving covered bonds held in the CBPP3 Eurosystem portfolios:

- (a) entities that fulfil the eligibility criteria to participate in Eurosystem monetary policy operations pursuant to Article 55 of Guideline (EU) 2015/510 (ECB/2014/60);
- (b) any other counterparties that are used by Eurosystem central banks for the investment of their euro-denominated investment portfolios, including non-euro area counterparties active in the covered bonds markets.

*Article 5***Repeal**

1. Decision ECB/2014/40 is hereby repealed.

⁽⁶⁾ Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (OJ L 225, 30.7.2014, p. 1).

⁽⁷⁾ Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (OJ L 173, 12.6.2014, p. 190).

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2. References to the repealed Decision shall be construed as references to this Decision and shall be read in accordance with the correlation table in Annex II.

*Article 6***Final provision**

This Decision shall enter into force on the fourth day following that of its publication in the *Official Journal of the European Union*.

*ANNEX I***Repealed Decision with list of the successive amendments thereto**

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)

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) (OJ L 16, 20.1.2017, p. 53)

Decision (EU) 2017/1360 of the European Central Bank of 18 May 2017 amending Decision ECB/2014/40 on the implementation of the third covered bond purchase programme (ECB/2017/14) (OJ L 190, 21.7.2017, p. 22)

Decision (EU) 2017/2199 of the European Central Bank of 20 November 2017 amending Decision ECB/2014/40 on the implementation of the third covered bond purchase programme (ECB/2017/37) (OJ L 312, 28.11.2017, p. 92)

*ANNEX II***CORRELATION TABLE**

Decision ECB/2014/40	This Decision
Article 1	Article 1
—	Article 2
Article 2	Article 3
Article 3	Article 4
—	Article 5
Article 4	Article 6