

Asset-backed securities purchase programme (ABSPP) - Questions & Answers

Updated on 28 June 2021

Objectives

Q1.1 What are the objectives of the ABSPP?

The ABSPP, together with the third covered bond purchase programme (CBPP3), the public sector purchase programme (PSPP) and the corporate sector purchase programme (CSPP), is part of the ECB's asset purchase programme (APP). The ABSPP further enhances the transmission of monetary policy, facilitates the provision of credit to the euro area economy, eases borrowing conditions for households and firms and contributes to a sustained adjustment in inflation rates to levels that are in line with the ECB's inflation aim. The ABSPP also helps banks to diversify funding sources and stimulates the issuance of new securities. Asset-backed securities (ABSs) can help banks to fulfil their main role: providing credit to the real economy. For instance, securitising loans and selling them can provide banks with the necessary funds to provide new lending to the real economy.

Eligibility criteria

Q2.1 What ABSs are eligible for purchase under the ABSPP?

The eligibility criteria are stated in Decisions [ECB/2014/45](#), [ECB/2015/31](#), [ECB/2017/3](#) and [ECB/2017/15](#) on the ABSPP.

The assessment of ABSPP eligibility follows a two-step approach.

First, an ABS needs to be eligible as collateral for the Eurosystem (please see Q2.2 for more details regarding collateral eligibility). However, an ABS that is eligible as collateral is not automatically also eligible for purchases under the ABSPP.

Second, purchase decisions under the ABSPP take into account the outcome of the Eurosystem's due diligence analysis. To help market participants in this regard, the Eurosystem has developed a set of high-level, non-binding and non-exhaustive guiding principles to illustrate the Eurosystem's preferences ([Guiding principles \(with examples\) of Eurosystem-preferred eligible ABSs](#)) in terms of the ABSs that it considers for purchase in the context of the ABSPP. The guiding principles are not, however, intended to serve as eligibility criteria like those set out in Decision ECB/2014/45 and ECB/2015/31 and should not be construed as "pre-issuance advice".

In any case, the Eurosystem retains full discretion to purchase or refrain from purchasing any ABS meeting the ABSPP's eligibility criteria.

Q2.2 Which requirements must an ABS fulfil to be eligible as collateral for the Eurosystem and therefore be potentially eligible for purchase under ABSPP? Where can I find additional information?

The criteria for collateral eligibility are specified in the [Eurosystem legal framework for monetary policy instruments](#). The current status of several relevant legal documents is summarised in two unofficial consolidated texts, one for the [permanent collateral framework](#) in Guideline (EU) 2015/510 (ECB/2014/60) (for ABSs in Credit Quality Step (CQS) 1 and 2) and the other for the [temporary collateral framework](#) in Guideline ECB/2014/31 (for ABSs in CQS 3).

If you have questions relating to the collateral eligibility of specific international securities identifying numbers (ISINs), or to collateral eligibility criteria in general, please refer to the Eurosystem's relevant [collateral experts](#) responsible for assessing collateral eligibility. This responsibility usually lies with the national central bank of the country where the asset is admitted for trading. Alternatively, please contact the email address for the ECB eligible assets hotline: eligible-assets.hotline@ecb.europa.eu.

From 1 October 2021 onwards, all ABS issued after 1 January 2019 and thus falling within the scope of the EU Securitisation Regulation (Regulation (EU) No 2017/2402) will be assessed for Eurosystem collateral eligibility only if loan-level data is submitted to an ESMA-registered securitisation repository using templates developed by [ESMA](#). These currently encompass the underlying exposures templates, the investor report, and the inside information or significant event information templates. For ABS issued prior to 1 January 2019 that are not subject to the Securitisation Regulation, the Eurosystem's current loan-level data reporting requirements will continue to apply for a grandfathering period of three years until 30 September 2024. After this date, the new disclosure requirement based on ESMA templates will also apply for these ABS.

Q2.3 Where can I find additional information on loan-level requirements for collateral eligibility?

Please refer to the [FAQs for the loan-level initiative](#) and the transparency requirements of the EU securitisation regulation. If the necessary information is not available there, you may also contact the ECB eligible assets hotline: eligible-assets.hotline@ecb.europa.eu.

Q2.4 What are the maximum and minimum maturities of ABSs eligible for purchase under the ABSPP?

No binding maximum or minimum maturity has been defined for the programme.

Q2.5 What is the maximum or minimum issuance size of ABSs eligible for purchase under the ABSPP?

No minimum or maximum issuance size has been defined for the programme.

Q2.6 Is there a maximum share for purchases of an ABS under the ABSPP?

In general, ABSPP purchases are limited to a maximum of 70% of the outstanding nominal amount of a tranche of an ABS (with the same or fungible international securities identifying number (ISIN)).

Q2.7 Do you also purchase mezzanine tranches?

The Eurosystem may purchase mezzanine tranches of ABSs provided that those mezzanine tranches are subject to a guarantee complying with the criteria for guarantees in the Eurosystem collateral framework set out in Articles 114, 115, 117 and 118 of Part Four, Title IV of [Guideline \(EU\) 2015/510 \(ECB/2014/60\)](#), [unofficial consolidated version](#). They must also be issued by a guarantor with a credit assessment in accordance with Article 83(c) of Guideline (EU) 2015/510 (ECB/2014/60) (as outlined in Article 2(9) of Decision ECB/2014/45). This means that the guarantee must be unconditional and irrevocable, payable on first demand, and cover principal, interest and any amounts due under the ABSs. In addition, the Eurosystem will conduct appropriate credit risk and due diligence procedures prior to the purchase of guaranteed mezzanine tranches of ABSs, in line with the procedures in place for all ABSs considered for purchase.

Q2.8 Do you also purchase equity tranches?

No, the Eurosystem may only purchase senior and guaranteed mezzanine tranches of those ABSs that fulfil the eligibility criteria described above.

Q.2.9 Does the ABSPP purchase in the primary market?

Yes, the ABSPP can purchase in both the primary and secondary ABS markets. It can also purchase retained transactions alongside other investors.

Q.2.10 When can the ABSPP buy a recently issued ABS on the secondary market?

The ABSPP can purchase an ABS on the secondary market shortly after it has been issued, depending on the outcome of the Eurosystem's due diligence analysis and the preliminary eligibility assessment of the ABS as collateral for the Eurosystem collateral framework. The ABS is only added to the [list of eligible marketable assets](#) for collateral purposes on the ECB's website after the final eligibility assessment of the ABS as collateral for the Eurosystem collateral framework has been conducted and the ABS meets all the requirements. The latter needs to be formally requested at the national central bank of the country where the security is admitted to trading, following the procedures of the national central bank concerned (see also Q2.2). This request is usually made by the originator, as it has access to the documentation required for the national central bank's assessment. This is necessary even for those ABSs which have already been purchased by the ABSPP in the primary market.

Q2.11 Are retained ABSs part of the purchasable universe?

Retained ABSs are in principle part of the purchasable universe if, like any other ABS, they fulfil the eligibility criteria. A fully retained ABS tranche is only eligible for purchase under the ABSPP if at least one external investor without a close link to the originator also purchases part of the respective ABS tranche, either prior to or at the same time as the Eurosystem (as outlined in Article 2(7) of Decision ECB/2014/45).

Q2.12 Under the ABSPP, the Eurosystem will be able to buy up to 70% of an ABS per ISIN. In the case of the remaining 30%, are these eligible as collateral for Eurosystem monetary policy operations, assuming they meet the ABS eligibility criteria?

Provided that all Eurosystem collateral eligibility criteria are fulfilled, the remaining outstanding amount of the ABS can be used as collateral in Eurosystem credit operations.

Q2.13 Will ABSs based on non-performing loans be bought under the ABSPP?

Collateral eligibility is one requirement for an ABS to be eligible for the ABSPP. Within the general framework, the inclusion of non-performing loans in the pool of underlying assets does not preclude an ABS from eligibility as collateral as long as this ABS holds a minimum second-best rating of A-. As part of the temporary measures to enhance collateral availability, ABSs with a minimum second-best rating of BBB can be accepted as collateral. In this case, however, the loans must be performing, at the time of inclusion in the ABS. As for any other purchase of ABSs under the ABSPP, additional due diligence is conducted by Eurosystem experts on a single asset basis. The [Guiding principles \(with examples\) of Eurosystem-preferred eligible ABSs](#) state that the loans should be performing at the time of inclusion in the ABSs.

Q2.14 Can ABSs contain leasing receivables with residual value leases in the

underlying pool of assets?

Article 2(49) of Guideline ECB/2014/60 specifies that residual values are not leasing receivables. Therefore, cash-flow generating assets backing an ABS must not comprise leasing receivables with residual value leases.

Q2.15 To maintain collateral eligibility, rating agencies must publish surveillance reports outlining key performance figures on a regular basis. What are the effects if rating agencies fail to do so?

According to Article 88 (2) of Guideline ECB/2014/60, the publication of surveillance reports by at least two rating agencies that are eligible rating agencies within the Eurosystem Credit Assessment Framework (ECAAF) is a requirement for an ABS to be eligible for use as collateral in the Eurosystem. Such surveillance reports must be published at the latest four weeks after each coupon payment. If the surveillance reports are not published by at least two ECAAF-eligible rating agencies, the ABS loses its collateral eligibility, which is only restored once surveillance reports have again been published by at least two ECAAF-eligible rating agencies.

Implementation of the ABSPP

Q3.1 How is the ABSPP implemented? Who do I need to contact?

ABSPP purchases are distributed over time in line with market issuance and secondary market liquidity. Purchases under the ABSPP are conducted exclusively through the national central banks acting as internal asset managers. The national central bank you should contact depends on the country of the ABSs' underlying collateral. In terms of the geographical coverage, the following allocation applies:

- > **Nationale Bank van België/Banque Nationale de Belgique:** Belgium
- > **Deutsche Bundesbank:** Germany
- > **Banco de España:** Spain
- > **Banque de France:** Finland, France, Ireland, Luxembourg and Portugal
- > **Banca d'Italia:** Italy
- > **De Nederlandsche Bank:** Netherlands

Other markets will only be allocated once eligible issuance occurs.

Q3.2 How long does it take to analyse an ABS for purchase?

The first time the Eurosystem analyses a given ABS structure it conducts a full due diligence review, which – once all required documentation has been received – usually takes up to five business days for primary market issuances and public re-offerings of fully retained ABSs. This is similar to credit institutions' due diligence requirements when acting as investors in a securitisation pursuant, from 1 January 2019, to the Securitisation Regulation (and, previously, to the Capital Requirements Regulation (CRR)).

Q3.3 Why does the Eurosystem perform due diligence?

European financial institutions such as credit institutions, insurance undertakings and fund managers are required by the relevant legislation (from 1 January 2019, the Securitisation Regulation, and, previously, the CRR, Solvency II Directive and Alternative Investment Fund Managers Directive) to conduct due diligence prior to investing in an ABS. The Eurosystem follows a similar procedure in relation to its purchases in the ABSPP. It does so to ensure that its purchase decisions are taken on the basis of a thorough analysis and following best market practices, just like any other ABS investor.

Q3.4 We sold a bond to the Eurosystem earlier in the programme, but now the Eurosystem no longer seems to be eager to buy it. What could be the reason for this?

The Eurosystem retains full discretion in its decision to purchase or refrain from purchasing any ABS meeting the ABSPP's eligibility criteria, including in relation to further purchases of an ABS already purchased under the ABSPP. There could be a number of reasons for this decision. First, the Eurosystem monitors all ABSs it has determined as eligible for purchase on an ongoing basis. In the event of changing circumstances that affect any ABS programme, additional due diligence is required in line with best market practices, in order to assess the impact of the changes in the pricing and credit risk of the securities. In such cases, the Eurosystem under the ABSPP may refrain from conducting additional purchases in the security until the reassessment is finalised. Second, the Eurosystem determines a maximum price prior to approving each transaction. It is therefore possible that the Eurosystem's maximum price is not in line with the one a potential seller is seeking.

Q3.5 Is there a restriction on counterparties from which the Eurosystem purchases ABSs under the ABSPP?

In the context of the ABSPP, the following counterparties are eligible: (a) counterparties participating in Eurosystem monetary policy operations; (b) counterparties that are used by Eurosystem central banks for the investment of their euro-denominated investment portfolios; and (c) entities deemed to be eligible counterparties for outright transactions under the ABSPP by the Governing Council on the basis of a Eurosystem counterparty risk assessment carried out by the ECB (as outlined in Article 4 of Decision ECB/2014/45).

Q3.6 Can asset managers and non-bank financial institutions offer assets eligible for purchases under the APP and the PEPP?

Asset managers and non-bank financial institutions are not eligible counterparties. However, the Eurosystem offers its eligible counterparties the possibility to share offers of eligible securities on behalf of non-eligible counterparties, such as asset managers and non-bank financial institutions, under the APP and the PEPP. Although final responsibility for the offered assets remains entirely with the eligible counterparties, they can include them in the daily inventories of assets that they share with the Eurosystem, either by explicitly reporting which assets are offered on behalf of non-eligible counterparties or aggregating them with their inventories. In periods of heightened investor uncertainty, such as during the current coronavirus pandemic, this option can contribute to alleviating market tensions and supporting proper market functioning.

Q3.7 Does the Eurosystem act as a “regular” investor when conducting purchases under the ABSPP?

The Eurosystem purchases ABSs at prevailing market prices or, in the case of retained bonds, alongside other investors at similar prices to those paid by them.

Q3.8 Does the Eurosystem purchase ABSs below the deposit facility rate (DFR)?

Since 12 September 2019, the Eurosystem can purchase ABSs with a yield below the interest rate on the ECB's deposit facility to the extent necessary – see [press release of 12 September 2019](#)

Other questions

Q4.1 Where on the ECB's website can I find a list of the Eurosystem's current holdings of ABSs?

Information on aggregate ABSPP holdings can be found on a weekly basis in the section [Asset purchase programmes](#). This section also shows a breakdown of the ABSPP holdings by rating, country of risk and collateral type on a semi-annual basis.

Q4.2 Does the ECB publish a list of the ABSs purchased under the ABSPP or that are not eligible for ABSPP purchases?

The ECB does not publish a list of ABSs it has purchased, nor does it publish a list of the ABSs that are not eligible for ABSPP purchases. The eligibility criteria are stated in Decisions [ECB/2014/45](#) and [ECB/2015/31](#) on the ABSPP. The ECB's guiding principles (see Q2.1) could also provide further guidance on which type of structures are considered for purchase.

Q4.3 Our institution is thinking of issuing an ABS. Can we discuss our envisaged ABS structure with the ABSPP?

The Eurosystem cannot provide pre-issuance advice. The Eurosystem's preferences can be found in the high-level, non-binding and non-exhaustive set of guiding principles (see Q2.1) relating to the ABSs that it considers for purchase under the ABSPP.

For specific questions related to the Eurosystem collateral framework, please contact the ECB eligible assets hotline at the e-mail address: eligible-assets.hotline@ecb.europa.eu. Furthermore, after the issuance, the national central bank of the country where the ABS is admitted to trading can be contacted regarding specific questions on the Eurosystem's collateral eligibility assessment.

Q4.4 Does the Eurosystem participate in private placements of ABSs?

The Eurosystem does not participate in private placements of ABSs.