DECISION (EU) 2016/948 OF THE EUROPEAN CENTRAL BANK

of 1 June 2016

on the implementation of the corporate sector purchase programme (ECB/2016/16)

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) The European Central Bank (ECB), together with national central banks of Member States whose currency is the euro may operate in the financial markets by buying and selling marketable instruments outright.

(2) Decision ECB/2014/40 ([1]), which established a third covered bond purchase programme, was adopted on 15 October 2014. Decision (EU) 2015/5 of the European Central Bank (ECB/2014/45) ([2]), which established an asset-backed securities purchase programme, was adopted on 19 November 2014. Decision (EU) 2015/774 of the European Central Bank (ECB/2015/10) ([3]), which established a secondary markets public sector asset purchase programme (hereinafter the 'PSPP'), was adopted on 4 March 2015 and expanded the existing asset purchase programmes. Alongside the targeted longer-term refinancing operations pursuant to Decision ECB/2014/34 of the European Central Bank ([4]) and Decision (EU) 2016/810 of the European Central Bank (ECB/2016/10) ([5]), these asset purchase programmes are aimed at further enhancing the transmission of monetary policy, facilitating credit provision to the euro area economy, easing borrowing conditions for households and businesses and contributing to returning inflation rates to levels below, but close to, 2 % over the medium term, consistent with the ECB's primary objective of maintaining price stability.

(3) On 10 March 2016 the Governing Council decided to further expand the abovementioned asset purchase programmes and initiate a corporate sector purchase programme (CSPP), as part of the single monetary policy and in pursuit of its price stability objective. This decision was taken in order to further strengthen the pass-through of the Eurosystem's asset purchases to the financing conditions of the real economy, and in order to provide, in conjunction with the other non-standard monetary policy measures in place, further monetary policy accommodation and contribute to a return of inflation rates to levels below, but close to, 2 % over the medium term.

(4) The CSPP will be part of the asset purchase programme (APP), under which purchases are intended to run until the end of March 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 aim of achieving inflation rates below, but close to, 2 % over the medium term.

(5) The CSPP should contain a number of safeguards to ensure that the envisaged purchases will be proportionate to its aims. These safeguards should also ensure that related financial risks are taken into account in the CSPP's design and should reflect risk management perspectives. In addition, eligible marketable debt instruments issued by public undertakings should be subject to limits, consistent with those applied to purchases under the PSPP.

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

([2]) Decision (EU) 2015/5 of the European Central Bank of 19 November 2014 on the implementation of the asset-backed securities purchase programme (ECB/2014/45) (OJ L 1, 6.1.2015, p. 4).

([3]) Decision (EU) 2015/774 of the European Central Bank of 4 March 2015 on a secondary markets public sector asset purchase programme (ECB/2015/10) (OJ L 121, 14.5.2015, p. 20).

([4]) Decision ECB/2014/34 of the European Central Bank of 29 July 2014 on measures relating to targeted longer-term refinancing operations (OJ L 258, 29.8.2014, p. 11).

([5]) Decision (EU) 2016/810 of the European Central Bank of 28 April 2016 on a second series of targeted longer-term refinancing operations (ECB/2016/10) (OJ L 132, 21.5.2016, p. 107).

(6) The CSPP should fully comply with the obligations of the Eurosystem central banks under the Treaty, including the monetary financing prohibition in relation to the purchase of eligible marketable debt instruments issued by public undertakings.

(7) The CSPP should respect the principle of an open market economy with free competition, while giving due regard to the formation of market prices and the functioning of markets.

(8) In line with the other components of the APP, the principal payments of the eligible marketable debt instruments purchased under the CSPP should be reinvested as the underlying debt instruments mature, for as long as necessary, thus contributing to favourable liquidity conditions and to an appropriate monetary policy stance.

(9) The outright purchases of eligible marketable debt instruments by the Eurosystem under the CSPP should be implemented in a decentralised manner in accordance with this Decision, and should be coordinated by the ECB, thereby safeguarding the singleness of the Eurosystem's monetary policy,

HAS ADOPTED THIS DECISION:

Article 1

Establishment and scope of the outright purchase of corporate bonds

The CSPP is hereby established. Under the CSPP specified Eurosystem central banks may purchase eligible corporate bonds from eligible counterparties in the primary and secondary markets, while public sector corporate bonds, as defined in Article 3(1), may only be purchased in the secondary markets, under specific conditions.

Article 2

Eligibility criteria for corporate bonds

In order to be eligible for outright purchase under the CSPP, marketable debt instruments issued by corporations shall comply with the eligibility criteria for marketable assets for Eurosystem credit operations pursuant to Part 4 of Guideline (EU) 2015/510 of the European Central Bank (ECB/2014/60) ([1]) and the following additional requirements.

1. The issuer of the marketable debt instrument:

   (a) is incorporated in a Member State whose currency is the euro;

   (b) is not a credit institution as defined in point (14) of Article 2 of Guideline (EU) 2015/510 (ECB/2014/60);

   (c) does not have a parent undertaking as defined in point (15) of Article 4(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council ([2]) that is also a credit institution as defined in point (14) of Article 2 of Guideline (EU) 2015/510 (ECB/2014/60);

   (d) does not have a parent company which is subject to banking supervision outside the euro area;

   (e) is not a supervised entity as defined in point (20) of Article 2 of Regulation (EU) No 468/2014 of the European Central Bank (ECB/2014/17) ([3]) or a member of a supervised group as defined in subpoint (b) of point (21) of Article 2 of Regulation (EU) No 468/2014 (ECB/2014/17), in each case, as contained in the list published by the ECB on its website in accordance with Article 49(1) of Regulation (EU) No 468/2014 (ECB/2014/17), and is not a subsidiary, as defined in point (16) of Article 4(1) of the Regulation (EU) No 575/2013, of any of those supervised entities or supervised groups;

([1]) 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).

([2]) 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).

([3]) Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation) (ECB/2014/17) (OJ L 141, 14.5.2014, p. 1).

(f) is not an investment firm as defined in point (1) of Article 4(1) of Directive 2014/65/EU of the European Parliament and of the Council [1];

(g) has not issued an asset-backed security within the meaning of point (3) of Article 2 of Guideline (EU) 2015/510 (ECB/2014/60);

(h) has not issued a *multi cédula* within the meaning of point (62) of Article 2 of Guideline (EU) 2015/510 (ECB/2014/60);

(i) has not issued a structured covered bond within the meaning of point (88) of Article 2 of Guideline (EU) 2015/510 (ECB/2014/60);

(j) is not an asset management vehicle resulting from the application of an asset separation tool in a resolution action pursuant to Article 26 of Regulation (EU) No 806/2014 of the European Parliament and of the Council [2] or national legislation implementing Article 42 of Directive 2014/59/EU of the European Parliament and of the Council [3];

(k) is not a national asset management and divestment fund established to support financial sector restructuring and/or resolution [4]; and

(l) is not an eligible issuer for the PSPP.

2. The marketable debt instrument has a minimum remaining maturity of 6 months and a maximum remaining maturity of 30 years and 364 days at the time of its purchase by the relevant Eurosystem central bank.

3. In deviation from Article 59(5) of Guideline (EU) 2015/510 (ECB/2014/60), only credit assessment information that is provided by an external credit assessment institution accepted within the Eurosystem credit assessment framework will be taken into account for the assessment of the credit quality requirements of the marketable debt instrument.

4. The marketable debt instrument is denominated in euro.

5. Purchases of nominal marketable debt instruments at a negative yield to maturity (or yield to worst) above the deposit facility rate are permissible.

Article 3

Limitations on the execution of purchases of public sector corporate bonds

1. For the purposes of this Decision, a 'public sector corporate bond' means a corporate bond that fulfils the requirements of Article 2 and is issued by a public undertaking within the meaning of Article 8 of Council Regulation (EC) No 3603/93 [5].

2. To permit the formation of a market price for eligible public sector corporate bonds, no purchases shall be permitted of a newly issued or tapped public sector corporate bond, or of public sector corporate bonds issued by the same entity or by the entities within the issuer's group with maturities that expire close in time to, either just before or after, the maturity of the marketable debt instruments to be issued or tapped, over a period to be determined by the Governing Council.

(1) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014, p. 349).

(2) 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).

(3) 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).

(4) A list of such entities is published on the ECB's website at www.ecb.europa.eu

(5) Council Regulation (EC) No 3603/93 of 13 December 1993 specifying definitions for the application of the prohibitions referred to in Articles 104 and 104b(1) of the Treaty (OJ L 332, 31.12.1993, p. 1).

Article 4

Purchase limits

1. An issue share limit per international securities identification number (ISIN) shall apply under the CSPP, after consolidating holdings in all of the portfolios of the Eurosystem central banks. The issue share limit shall be 70 % per ISIN for all corporate bonds other than public sector corporate bonds.

A lower issue share limit may apply in specific cases, including for public sector corporate bonds or for risk management reasons. Public sector corporate bonds shall be dealt with in a manner consistent with their treatment under the PSPP.

2. The Eurosystem shall conduct appropriate credit risk and due diligence procedures on eligible corporate bonds on an ongoing basis.

3. The Eurosystem shall define additional purchase limits for issuer groups based on a benchmark allocation related to an issuer group's market capitalisation to ensure a diversified allocation of purchases across issuers and issuer groups.

Article 5

Purchasing Eurosystem central banks

The Eurosystem central banks purchasing corporate bonds under the CSPP shall be specified in a list published on the ECB's website. The Eurosystem shall apply a specialisation scheme for the allocation of corporate bonds to be purchased under the CSPP based on the issuer's country of incorporation. The Governing Council shall allow ad hoc deviations from the specialisation scheme if there are objective considerations obstructing the scheme's implementation or if such deviations are advisable in order to achieve the CSPP's overall monetary policy objectives. In particular, each specified Eurosystem central bank shall only purchase eligible corporate bonds issued by issuers incorporated in specified Member States within the euro area. The geographical allocation of eligible corporate bond issuers' countries of incorporation in relation to the specified Eurosystem central banks shall be set out in a list published on the ECB's website.

Article 6

Eligible counterparties

The following shall be eligible counterparties for the CSPP, both for outright transactions and for securities lending transactions involving corporate bonds held in the CSPP 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); and

(b) any other counterparties that are used by Eurosystem central banks for the investment of their euro-denominated investment portfolios.

Article 7

Securities lending transactions

The Eurosystem central banks purchasing corporate bonds under the CSPP shall make securities purchased under CSPP available for lending, including repos, with a view to ensuring the effectiveness of the CSPP.

Article 8

Final provisions

This Decision shall enter into force on 6 June 2016.

Done at Vienna, 1 June 2016.

The President of the ECB

Mario DRAGHI