

TECHNICAL ANNEX 1

ECB ANNOUNCES DETAILS OF THE ASSET-BACKED SECURITIES PURCHASE PROGRAMME (ABSPP)

Further to its decision of 4 September 2014 to start an asset-backed securities purchase programme (ABSPP), the Governing Council of the European Central Bank (ECB) decided on the following technical modalities of the programme:

- Senior and guaranteed mezzanine tranches of asset-backed securities (ABSs) will be purchased in both primary and secondary markets.
- In order to qualify for purchases under the programme, ABS senior tranches must:
 - be eligible under the collateral framework for Eurosystem credit operations as it may be modified over time. For further information on the collateral framework, please see <http://www.ecb.europa.eu/mopo/assets/html/index.en.html>
 - be denominated in euro and have issuer residence within the euro area;
 - be secured by claims against non-financial private sector entities resident in the euro area – either legacy or newly originated – of which a minimum share of 95% is euro-denominated and of which a minimum share of 95% are resident in the euro area;
 - have a second-best credit assessment of at least CQS3, currently equivalent to an ECAI rating of BBB-/Baa3/BBB;
 - for ABSs with underlying claims against non-financial private sector entities resident in Greece or Cyprus which cannot achieve a second-best credit assessment of CQS3, a derogation based on the fulfilment of the following requirements will be applied 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 Cypriot or Greek governments:
 - i. compliance with the above criteria except the credit quality threshold;

- ii. ratings on a second-best basis at the maximum achievable rating in the jurisdiction;
 - iii. a minimum current credit enhancement of 25%;
 - iv. availability of investor reports and of modelling of the ABSs in standard third party ABS cash-flow modelling tools, as assessed by the ECB;
 - v. all counterparties to the transaction (e.g. account bank and swap provider), except for the servicer, have a first-best rating of at least CQS3 and full back-up servicing provisions are in place.
- The eligibility criteria for guaranteed mezzanine tranches of ABSs will be communicated at a later stage.
- The Eurosystem will conduct appropriate credit risk and due diligence procedures on the purchasable universe on an ongoing basis.
- The Eurosystem will apply an issue share limit of 70% per ISIN, except in the case of ABSs with underlying claims against non-financial private sector entities resident in Greece or Cyprus and not fulfilling the CQS3 rating requirement; for those ABSs, a corresponding limit of 30% per ISIN will be applied.
- For fully retained securities, purchases by the Eurosystem would be possible subject to some participation by other market investors.