EUROPEAN CENTRAL BANK

EUROSYSTEM

PRESS RELEASE

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ECB announces expanded asset purchase programme

- **ECB expands purchases to include bonds issued by euro area central governments, agencies and European institutions**
- **Combined monthly asset purchases to amount to €60 billion**
- **Purchases intended to be carried out until at least September 2016**
- **Programme designed to fulfil price stability mandate**

The Governing Council of the European Central Bank (ECB) today announced an expanded asset purchase programme. Aimed at fulfilling the ECB's price stability mandate, this programme will see the ECB add the purchase of sovereign bonds to its existing private sector asset purchase programmes in order to address the risks of a too prolonged period of low inflation.

The Governing Council took this decision in a situation in which most indicators of actual and expected inflation in the euro area had drifted towards their historical lows. As potential second-round effects on wage and price-setting threatened to adversely affect medium-term price developments, this situation required a forceful monetary policy response.

Asset purchases provide monetary stimulus to the economy in a context where key ECB interest rates are at their lower bound. They further ease monetary and financial conditions, making access to finance cheaper for firms and households. This tends to support investment and consumption, and ultimately contributes to a return of inflation rates towards 2%.

The programme will encompass the asset-backed securities purchase programme (ABSPP) and the covered bond purchase programme (CBPP3), which were both launched late last year. Combined monthly purchases will amount to €60 billion. They are intended to be carried out until at least September

2016 and in any case until the Governing Council sees a sustained adjustment in the path of inflation that is consistent with its aim of achieving inflation rates below, but close to, 2% over the medium term.

The ECB will buy bonds issued by euro area central governments, agencies and European institutions in the secondary market against central bank money, which the institutions that sold the securities can use to buy other assets and extend credit to the real economy. In both cases, this contributes to an easing of financial conditions.

The programme signals the Governing Council's resolve to meet its objective of price stability in an unprecedented economic and financial environment. The instruments deployed are appropriate in the current circumstances and in full compliance with the EU Treaties.

As regards the additional asset purchases, the Governing Council retains control over all the design features of the programme and the ECB will coordinate the purchases, thereby safeguarding the singleness of the Eurosystem's monetary policy. The Eurosystem will make use of decentralised implementation to mobilise its resources.

With regard to the sharing of hypothetical losses, the Governing Council decided that purchases of securities of European institutions (which will be 12% of the additional asset purchases, and which will be purchased by NCBs) will be subject to loss sharing. The rest of the NCBs' additional asset purchases will not be subject to loss sharing. The ECB will hold 8% of the additional asset purchases. This implies that 20% of the additional asset purchases will be subject to a regime of risk sharing.

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Notes:

- A technical annex is published alongside this press release with further operational details.

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