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**ECB decision on Covered Bonds will increase liquidity, says AFME / ECBDA**

The European Central Bank's decision to make the portfolio of covered bonds bought under the Covered Bond Purchase Programme available for lending will improve overall liquidity in the covered bond market, according to The Association for Financial Markets in Europe (AFME).

The ECB announced its decision in its February report on the Eurosystem's Covered Bond Purchase Programme. AFME's European Covered Bond Dealers Association (ECBDA), had called for the move in a letter to the ECB in October 2009.

“This is a welcome development for the covered bond market and a decision that European covered bond dealers will appreciate,” says Folake Shasanya, AFME Director.

“The Covered Bond market continues to strengthen and liquidity has vastly improved over the past year.

“This decision will help improve liquidity for more seasoned bonds and will allow dealers to take on short positions, thus helping to improve two-way liquidity overall. We look forward to further details from the ECB on this decision.”

Sebastien Gianfermi, Head of Covered Bond and SAS Trading at BNP Paribas and ECBDA Executive Board Member, adds:

“The decision from the ECB is a very positive announcement. It will enhance the liquidity of the secondary market and allow dealers to trade more freely both ways without any fear of a squeeze in the repo market. This should lead ultimately to tighter bid-offer spreads.”

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## Notes to Editors

1. The ECB released a brief statement in its February report on the Eurosystem's Covered Bond Purchase Programme:

“The Governing Council decided that the Eurosystem will be making available, for lending, its portfolio of covered bonds bought under the CBPP. This decision will be implemented by the Eurosystem central banks on a voluntary basis through security-lending facilities offered by central securities depositories, or through matched repo transactions with eligible counterparties.”

2. AFME was formed on November 1st 2009 following the merger of LIBA (the London Investment Banking Association) and the European operation of SIFMA (the Securities Industry and Financial Markets Association). AFME represents a broad array of European and global participants in the wholesale financial markets, and its 197 members comprise all pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME provides members with an effective and influential voice through which to communicate the industry standpoint on issues affecting the international, European, and UK capital markets. AFME is the European regional member of the Global Financial Markets Association (GFMA). For more information, visit the AFME website, [www.AFME.eu](http://www.AFME.eu).
3. The AFME / European Covered Bond Dealers Association (ECBDA) represents the interests of covered bond dealers in European covered bond markets by creating a unified dealer voice. AFME / ECBDA seeks to promote an efficient pan-European covered bond market and address primary and secondary issues by facilitating consultation with key market participants. It complements and cooperates with other membership-based trade organisations in the covered bonds arena, on issues of mutual concern and in order to promote common interests. AFME / ECBDA is also globally connected to covered bonds activities coordinated by SIFMA (US) and ASIFMA (Asia). AFME / ECBDA board membership is open to European covered bond dealers that make markets in at least 50 covered bonds or which rank among the top 20 covered bond

underwriters in Europe. Associate membership is open to all European covered bond dealers.