



EUROPEAN CENTRAL BANK
EUROSYSTEM

ECB-PUBLIC

COURTESY TRANSLATION

Mario DRAGHI
President

Ms Ulrike Trebesius
Mr Joachim Starbatty
Members of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 29 August 2017

L/MD/17/345

Re: Your letter (QZ-066)

Honourable Members of the European Parliament, dear Ms Trebesius, dear Mr Starbatty,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 13 July 2017.

Since the introduction of the public sector purchase programme (PSPP), the European Investment Bank (EIB) has been included in the list of international or supranational institutions located in the euro area whose securities are eligible for purchase. As I have had the opportunity to discuss with your honourable colleagues in the past¹, these purchases are conducted only on the secondary market because any primary market purchases would violate the prohibition of monetary financing laid down in Article 123 of the Treaty on the Functioning of the European Union.

The ECB's holdings of EIB bonds purchased under the PSPP are currently zero, as the ECB does not purchase supranational bonds under the PSPP. Under a specialisation approach, purchases of such bonds – irrespective of the domicile of the issuing institution – are conducted by certain national central banks, with the risks pertaining to those securities holdings shared across the Eurosystem.² Accordingly, holdings of such

¹ See written replies to Mr Ramon Tremosa i Balcells, Member of the European Parliament, dated 7 May 2015 at https://www.ecb.europa.eu/pub/pdf/other/150508letter_tremosa.en.pdf and to Mr Dimitrios Papadimoulis, Member of the European Parliament, dated 3 February 2016 at https://www.ecb.europa.eu/pub/pdf/other/160203letter_papadimoulis_1.en.pdf

² For further details, please refer to the ECB website: <https://www.ecb.europa.eu/mopo/implement/omt/html/pspp-qa.en.html>

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securities are recorded on the consolidated Eurosystem balance sheet rather than on the individual balance sheet of the ECB. While the Eurosystem does not publish its securities holdings from international or supranational institutions separately, total purchases of these securities since April 2016 have constituted 10% of total securities purchased on a monthly basis under the PSPP.³

In the context of the PSPP, an issue and issuer share limit of 50% applies to entities listed as supranational institutions located in the euro area. The 50% issue share limit means that the Eurosystem can only hold up to 50% of the outstanding amount of an individual PSPP-eligible security issued by a supranational institution. The 50% issuer share limit also implies that the Eurosystem can hold no more than 50% of the outstanding amount of all PSPP-eligible securities issued by a given supranational institution.

Lastly, I would not comment on the policies pursued by the EIB.

Yours sincerely,

[signed]

Mario Draghi

³ From March 2015 until March 2016 this figure was 12%. A reduction in the share of purchases of bonds issued by EU supranational institutions supports the continuing smooth and market-neutral implementation of the PSPP in view of the outstanding eligible securities and applicable limits under the programme.

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