



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Mario DRAGHI
President

Ms Eva Kaili
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 8 February 2018

L/MD/18/54

Re: Your letter (QZ-003)

Honourable Member of the European Parliament, dear Ms Kaili,

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 18 January 2018.

As I explained during my appearance before the Committee on Economic and Monetary Affairs on 25 September 2017¹, the corporate sector purchase programme (CSPP) is part of the Eurosystem's expanded asset purchase programme (APP) and was introduced to strengthen the pass-through from the Eurosystem's asset purchases to financing conditions in the real economy². The universe of CSPP-eligible bonds is deliberately broad, and its composition is guided primarily by monetary policy and risk management considerations. In pursuing its objective of maintaining price stability, the ECB is aiming at a market-neutral implementation of the APP. Consequently, CSPP purchases are conducted on the basis of a benchmark that proportionally reflects the nominal value of eligible bonds in the CSPP-eligible universe.

In order to qualify for purchase under the CSPP, debt instruments must have a minimum first-best credit assessment of at least credit quality step 3 (rating of BBB- or equivalent) obtained from an external credit assessment institution in accordance with Guideline ECB/2014/60³. The Eurosystem conducts appropriate

¹The full text of my introductory statement at that hearing is available on the ECB's website: https://www.ecb.europa.eu/press/key/date/2017/html/ecb.sp170925_2.en.html.

² See the box entitled "The ECB's corporate sector purchase programme: its implementation and impact", *Economic Bulletin*, Issue 4, ECB, 2017, available at https://www.ecb.europa.eu/pub/pdf/other/ebbox201704_02.en.pdf.

³ The Guideline is available at https://www.ecb.europa.eu/ecb/legal/pdf/en_ecb_2014_60_f_sign.pdf.

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credit risk and due diligence procedures on the purchasable universe on an ongoing basis. Furthermore, CSPP purchases are well diversified across ratings, sectors, countries and issuers. In addition, the ECB does not set any threshold yields for bond purchases under the CSPP. Debt instruments with a negative yield to maturity are also permissible in the programme as long as the yield to maturity is above the deposit facility rate at the time of purchase⁴.

Since it was announced in March 2016, the CSPP has helped to ease financing conditions for corporations by supporting their ability to issue bonds and deepening the corporate bond market. As a result, the CSPP has had an effect on both corporate bond yields and issuance. For instance, euro area investment grade non-financial corporate bond yield spreads have contracted by around 80 basis points since the CSPP was announced. Moreover, the improvements in financing conditions stemming from the CSPP have not been confined to large companies with access to the corporate bond market. As a matter of fact, the increasingly favourable bond market conditions have also resulted in positive spillovers to the financing of small and medium-sized enterprises.

Yours sincerely,

[signed]

Mario Draghi

⁴ On 19 January 2017, the Governing Council decided that purchases of assets with a yield to maturity below the deposit facility rate are only permissible under the PSPP and confirmed that no such purchases are foreseen for the CBPP3, ABSPP and CSPP. Further details are available at https://www.ecb.europa.eu/press/pr/date/2017/html/pr170119_1.en.html.

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