



EUROPEAN CENTRAL BANK
EUROSYSTEM

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Mario DRAGHI
President

Mr Miguel Viegas
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 11 May 2017

L/MD/17/176

Re: Your letter (QZ-022)

Honourable Member of the European Parliament, dear Mr Viegas,

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 22 March 2017.

The expanded asset purchase programme (APP) was announced in January 2015¹ to address the risks of too prolonged a period of low inflation. The APP is aimed at further enhancing the transmission of monetary policy, facilitating credit provision to the euro area economy, easing borrowing conditions for households and businesses, and contributing to a sustained return of inflation rates towards levels that are below, but close to, 2% over the medium term, consistent with the ECB's primary objective of maintaining price stability.

The APP includes four purchase programmes under which private and public sector securities are purchased: the public sector purchase programme (PSPP), the third covered bond purchase programme (CBPP3), the asset-backed securities purchase programme (ABSPP) and the corporate sector purchase programme (CSPP). The intended volume of monthly net purchases under the APP amounts to €60 billion (from April 2016 until March 2017 the average monthly figure was €80 billion). The monthly holding figures are published on the ECB's website.²

¹ The press release is available at https://www.ecb.europa.eu/press/pr/date/2015/html/pr150122_1.en.html

² The monthly holding figures are available at <https://www.ecb.europa.eu/mopo/implementation/omt/html/index.en.html>

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The CSPP was added to the APP in June 2016 with the aim of further strengthening the pass-through of the Eurosystem purchases to the financing conditions of the real economy. A total of €75.5 billion has been purchased within the CSPP, and monthly amounts of purchases have so far ranged between €3.9 billion and €9.8 billion. The Eurosystem central banks that purchase corporate bonds under the CSPP make those bonds available for securities lending. Within this scope, they publish the ISIN codes³ of the bonds purchased on their respective websites.⁴ While this information is provided with the intention of improving market functioning, it also allows the public to see which companies' bonds have been bought by the Eurosystem.

The eligibility criteria for the CSPP are listed in the decision on the implementation of the CSPP of 1 June 2016.⁵ To be eligible for purchase under the CSPP, a corporate bond must have at least one investment-grade rating from an external credit assessment institution accepted within the Eurosystem credit assessment framework which corresponds to credit quality step 3 on the Eurosystem's harmonised rating scale. Further details on the eligibility criteria are provided in the Q&A on the ECB's website.⁶

The CSPP eligibility conditions have been made deliberately inclusive with a view to maintaining a level playing field. For instance, smaller firms are more likely to engage in smaller issuances with shorter maturities, all other things being equal. To account for this, the CSPP does not set a minimum size for an issuance, and bonds with maturities as short as six months are eligible. Consequently, purchases are made of assets issued by a wide variety of corporations, not just large multinationals, and are well diversified across the range of eligible assets.

Let me conclude by emphasising that the CSPP can also benefit enterprises which obtain funding from banks rather than through securities issuance; buoyant bond market conditions as a result of the CSPP make it attractive for large companies to obtain more funding from bond markets, incentivising banks to provide loans to small and medium-sized enterprises instead, making them indirect beneficiaries of the programme.

Yours sincerely,

[*signed*]

Mario Draghi

³ An International Securities Identification Number (ISIN) uniquely identifies a security.

⁴ Links to these websites are available on the ECB's website on the page about securities lending:
<http://www.ecb.europa.eu/mopo/implement/omt/lending/html/index.en.html>

⁵ Decision (EU) 2016/948 of 1 June 2016 on the implementation of the corporate sector purchase programme (ECB/2016/16) is available at https://www.ecb.europa.eu/ecb/legal/pdf/celex_32016d0016_en_txt.pdf

⁶ Available at <http://www.ecb.europa.eu/mopo/implement/omt/html/cspp-ga.en.html>

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