



EUROPEAN CENTRAL BANK
EUROSYSTEM

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Mario DRAGHI
President

Mr Joachim Starbatty
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 10 April 2018

L/MD/18/122

Re: Your letter (QZ-005)

Honourable Member of the European Parliament, 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 February 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 economy.² 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 European Central Bank (ECB) aims to implement the APP in a market-neutral manner. Consequently, CSPP purchases are conducted on the basis of a benchmark that proportionally reflects the nominal value of bonds in the CSPP-eligible universe. The size of the Eurosystem's holdings of bonds issued by an eligible company is guided by the issuer's share

¹ The full text of my introductory statement at that hearing is available on the ECB's website at: 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 and the box entitled "The corporate bond market and the ECB's corporate sector purchase programme", *Economic Bulletin*, Issue 5, ECB, 2016, available at: https://www.ecb.europa.eu/pub/pdf/other/eb201605_focus02.en.pdf.

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in that benchmark³. In addition, the Eurosystem conducts credit risk and due diligence assessments with regard to the purchasable assets on an ongoing basis. On the basis of these assessments, the Eurosystem may apply additional risk management measures as it deems necessary.

This framework was also applied to the specific issuer that you refer to in your letter (Steinhoff Europe AG). In July 2017, one bond issued by the aforementioned company was bought under the CSPP (as reported on the ECB's website), and the accumulated holdings were in line with the CSPP implementation guidelines.⁴ In the context of CSPP due diligence and monitoring procedures, further CSPP purchases of this bond were suspended in August 2017, when accounting irregularities came to our attention. In January 2018, when bonds issued by this company had ceased to be eligible for the CSPP, the Eurosystem decided to sell this holding and executed the transaction in an orderly manner.⁵ There is no available evidence that the sale resulted in an additional and significant worsening of the issuer's economic and financial situation.⁶ Although limited as a proportion of total income, the sale resulted in a financial loss, which is reported in the annual accounts of Eurosystem national central banks.

Finally, let me restate that the objective of the APP is not to maximise profits or avoid losses, but to fulfil our mandate of achieving price stability in the euro area.

Yours sincerely,

[signed]

Mario Draghi

³ For a comprehensive overview of the CSPP's implementation and impact, please see this Economic Bulletin box, which was published in June 2017: https://www.ecb.europa.eu/pub/pdf/other/ebbox201704_02.en.pdf.

⁴ For a discussion on the CSPP purchases and holdings, see a letter of reply to your honourable colleagues Ms Laura Agea and Mr Marco Valli, MEPs, dated 23 January 2018 and available at: https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter180123_Valli_Agea.en.pdf

⁵ While the Eurosystem makes sure that any such sale is conducted in line with best market practices, information on individual transactions is not disclosed.

⁶ In this context it may be noted that the sale had no identifiable negative impact on the quoted market prices of the bond. Moreover, to our knowledge, Steinhoff did not aim to access capital markets at that time.

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