



EUROPEAN CENTRAL BANK
EUROSYSTEM

COURTESY TRANSLATION

Christine LAGARDE
President

Mr Ernest Urtasun
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 5 February 2021

L/CL/21/24

Re: Your letter (QZ-072)

Honourable Member of the European Parliament, dear Mr Urtasun,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 10 December 2020.

With respect to your questions on potential purchases of securities issued by specific issuers under the corporate sector purchase programme (CSPP) and the pandemic emergency purchase programme (PEPP), the eligibility of assets for purchases is guided by our monetary policy objective, taking into account appropriate financial risk management considerations.¹ To ensure the effectiveness of monetary policy, the range of securities from non-financial corporations that are eligible under these programmes is deliberately broad. Purchases are guided by a benchmark that proportionately reflects the nominal value of eligible bonds in the CSPP-eligible universe. As regards future purchases of newly issued non-financial corporate securities, the Eurosystem will continue to assess whether these securities are eligible for the programme and the Eurosystem's collateral framework will remain the basis for determining this eligibility. The Eurosystem does not pre-commit to purchasing newly issued bonds or commercial paper from specific issuers.

¹ For a comprehensive overview of the implementation of the asset purchase programme (APP) and the PEPP, see the relevant pages on the ECB's website, available at <https://www.ecb.europa.eu/mopo/implement/app/html/index.en.html> and <https://www.ecb.europa.eu/mopo/implement/pepp/html/index.en.html>, and the article entitled "Taking stock of the Eurosystem's asset purchase programme after the end of net asset purchases", *Economic Bulletin*, Issue 2, ECB, 2019, available at: https://www.ecb.europa.eu/pub/economic-bulletin/articles/2019/html/ecb.ebart201902_01~3049319b8d.en.html.

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Regarding the impact of Eurosystem purchases of corporate sector securities on small and medium-sized enterprises (SMEs), evidence from the CSPP suggests that the corporate sector purchases have directly improved financing conditions for euro area companies that issue CSPP-eligible securities, as well as indirectly for those companies that rely on other sources of funding. These latter companies also include SMEs. By reducing financing costs, corporate sector purchases induce eligible firms to issue bonds and commercial paper as an alternative financing source to bank loans. This, in turn, contributes to freeing up bank balance sheet capacity to lend to companies such as SMEs, which are less active in bond and commercial paper markets or not eligible under the CSPP.²

In addition, our targeted longer-term refinancing operations (TLTROs) provide strong incentives for banks to lend to non-financial corporations, including SMEs. Corporate sector purchases by the Eurosystem and TLTROs are together helping businesses across the euro area to gain better access to more affordable external financing.³ By supporting businesses' access to finance, the ECB's monetary policy measures contribute to boost investment, create jobs and support overall economic growth. This is conducive to inflation returning to, and stabilising at, levels that are below, but close to, 2% over the medium term. Moreover, the broad eligibility criteria ensure that purchases under the CSPP and PEPP can help to effectively stave off potential risks to the smooth transmission of monetary policy and contribute to easing the overall monetary policy stance.

Regarding your question on the eligibility of bonds issued by Fondo de Amortización del Déficit Eléctrico (FADE), following the publication of the revised Guideline ECB/2019/11⁴, the criteria used for recognised agencies in the collateral framework and agencies eligible for the public sector purchase programme (PSPP) have been aligned. Based on these latest criteria, FADE is listed as an agency recognised by the ECB and is therefore eligible for purchases under the PSPP and PEPP.⁵

² For a comprehensive analysis of how the CSPP benefits the financing conditions of both large and small euro area companies, see "The impact of the corporate sector purchase programme on corporate bond markets and the financing of euro area non-financial corporations", *Economic Bulletin*, Issue 3, ECB, 2018, available at: https://www.ecb.europa.eu/pub/pdf/other/ecb.ebart201803_02.en.pdf; "Access to finance for small and medium-sized enterprises since the financial crisis: evidence from survey data", *Economic Bulletin*, Issue 4, ECB, 2020, available at https://www.ecb.europa.eu/pub/economic-bulletin/articles/2020/html/ecb.ebart202004_02~80dcc6a564.en.html#toc2; and "ECB corporate QE and the loan supply to bank-dependent firms", *Working Paper Series*, No 2314, ECB, 2019, available at: <https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp2314~5d3910cb50.en.pdf>.

³ This is further supported by evidence from the ECB's quarterly bank lending survey, in which banks report a favourable impact of the ECB's monetary policy measures on their funding costs and thus on the terms and conditions they apply in loans to non-financial corporations.

⁴ See Guideline (EU) 2019/1032 of the European Central Bank of 10 May 2019 amending Guideline (EU) 2015/510 on the implementation of the Eurosystem monetary policy framework (ECB/2019/11), available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019O0011>.

⁵ See the list of recognised agencies, available at: <https://www.ecb.europa.eu/paym/coll/standards/marketable/html/index.en.html>.

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Let me conclude by recalling that, in the context of the ongoing strategy review, we will consider how environmental sustainability considerations could be accounted for in the ECB's monetary policy framework, including its CSPP.

Yours sincerely,

[signed]

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