



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

COURTESY TRANSLATION

Christine LAGARDE  
President

Mr Marco Zanni  
Ms Francesca Donato  
Mr Valentino Grant  
Mr Antonio Maria Rinaldi  
Members of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt am Main, 23 January 2020

L/CL/20/11

**Re: Your letter (QZ-055)**

Honourable Members of the European Parliament, dear Mr Zanni, Ms Donato, Mr Grant, Mr Rinaldi,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chairwoman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 4 December 2019.

First, let me highlight that the corporate sector purchase programme (CSPP) forms 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. The universe of CSPP-eligible bonds is broad and its composition is primarily guided by monetary policy and risk management considerations.<sup>1</sup> CSPP purchases are guided by a benchmark that proportionally reflects the nominal value of eligible bonds in the CSPP-eligible universe. The purchases are also conducted with a view to preserving the price discovery mechanism and limiting distortions in market liquidity. In addition, the Eurosystem conducts regular credit risk and due diligence assessments with regard to the purchasable assets. On the basis of

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<sup>1</sup> For a comprehensive overview of the APP's implementation, see 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](https://www.ecb.europa.eu/pub/economic-bulletin/articles/2019/html/ecb.ebart201902_01~3049319b8d.en.html).

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these assessments, the Eurosystem may apply additional risk management measures as it deems necessary.<sup>2</sup>

As disclosed on the ECB's website,<sup>3</sup> the Eurosystem currently holds six individual securities of the specific issuer you refer to, LVMH, under the CSPP. The disclosure of more detailed, disaggregated data on the size of CSPP holdings for individual issuers could undermine the level playing field upon which issuers operate. Such disclosure would jeopardise the ECB's aim of minimising the impact of the CSPP on the functioning of the euro area corporate bond market. Ultimately, this could compromise the effectiveness of monetary policy and impair the ECB's ability to pursue its primary objective of price stability. In the context of corporate business plans, issuers of bonds bought under the CSPP are free to make their own business decisions on how to allocate their resources. As regards future CSPP purchases of newly issued corporate bonds, 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 CSPP eligibility.

Let me conclude by briefly highlighting the impact of the CSPP on euro area financing conditions and therefore economic growth. The programme has improved the financing conditions of eligible euro area non-financial corporations since it was announced on 10 March 2016. It has also had positive knock-on effects on the wider financing environment for euro area companies. These companies also include those that do not rely on capital markets for their financing, such as small and medium-sized enterprises (SMEs).<sup>4</sup> The CSPP has thus contributed to ensure the very favourable financing conditions that are necessary to secure a sustained convergence of inflation rates towards levels below, but close to, 2% over the medium term.

Yours sincerely,

[signed]

Christine Lagarde

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<sup>2</sup> 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](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](https://www.ecb.europa.eu/pub/pdf/other/eb201605_focus02.en.pdf). The ECB's Q&A on CSPP modalities is available here: <https://www.ecb.europa.eu/mopo/implement/omt/html/cspp-qa.en.html>.

<sup>3</sup> On a weekly basis the ECB publishes an updated list of all bonds currently held under the CSPP: <http://www.ecb.europa.eu/mopo/implement/omt/html/index.en.html>.

<sup>4</sup> For a comprehensive analysis of how the CSPP benefits the financing conditions of both large and small euro area companies, see the article entitled "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](https://www.ecb.europa.eu/pub/pdf/other/ecb.ebart201803_02.en.pdf).

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