

The Eurosystem's purchases of nonfinancial commercial paper

Last week the European Central Bank presented to the EACT on the Eurosystem's purchases of nonfinancial commercial paper. As a member of the EACT, the ACT (via the Policy & Technical team) joined the presentation. Key messages from the ECB were:

- The ECB is committed to helping corporates to understand and access the various funding arrangements established during this crisis
- The six national central banks (NCBs) currently undertaking the Corporate Sector Purchase Programme (CSPP) purchases also carry out the commercial paper purchases on behalf of the Eurosystem. These are the central banks for Belgium, Germany, Spain, Italy, France and Finland. The ECB coordinates these purchases, as it does for all purchase programmes
- Eligibility is based on the following criteria:
 - Rating must be equal to or above BBB-
 - The paper must be centrally deposited with NCBs or an eligible Securities Settlement System
 - Admitted to trading on an acceptable exchange
 - Issuer must be established in the EEA or non-EEA G10 country (US,CH,JP,CA)
 - CP must have a minimum remaining maturity of between 28 and 365/ 366 days at the time they are bought
 - Must be a non-financial corporate
 - Issuer must be euro area resident
- Commercial paper has always been accepted under the CSPP programme but in March 2020, the ECB lowered its minimum requirement for remaining maturity of eligible commercial paper from 6 months to 1 month

- The ECB publishes weekly data on its holdings as the example below shows:

The table below provides the detailed breakdown of **securities held for monetary policy purposes** (asset item 7.1) into the different portfolios. All portfolios are accounted for at amortised cost.

Monetary policy securities portfolios	Reported value as at 24 April 2020	Weekly change – purchases	Weekly change – redemptions
Covered bond purchase programme 1	EUR 0.7 billion	-	-EUR 0.1 billion
Securities Markets Programme	EUR 40.2 billion	-	-EUR 0.9 billion
Covered bond purchase programme 2	EUR 2.9 billion	-	-
Covered bond purchase programme 3	EUR 277.9 billion	+EUR 1.0 billion	-EUR 1.0 billion
Asset-backed securities purchase programme	EUR 31.2 billion	+EUR 0.0 billion	-EUR 0.4 billion
Public sector purchase programme	EUR 2,190.0 billion	+EUR 13.9 billion	-EUR 4.8 billion
Corporate sector purchase programme	EUR 207.1 billion	+EUR 0.8 billion	-
Pandemic emergency purchase programme	EUR 96.7 billion	+EUR 26.0 billion	-

There was a Q&A from participants which was useful in confirming the Bank’s position on a number of areas including:

- There is no appetite to increase the eligibility criteria to non-investment grade issuers and issues
- Collateral used to support an issue can be located in a non-EEA country (such as the UK) but the issuer has to be located in the EEA
- There is no guarantee that the ECB will purchase the paper of an issuer. The Bank has its own risk tolerance which will affect what it purchases
- Whilst the Bank may buy commercial paper in the secondary market, its focus is buying in the primary market.

The ECB is keen to help corporates to access the market and treasurers interested in participating should contact the ACT at technical@treasurers.org

More information on the programme can be found at

https://www.ecb.europa.eu/mopo/implement/omt/html/cspp_cp-faq.en.html

<https://www.ecb.europa.eu/mopo/implement/omt/html/cspp-ga.en.html>

In addition the ECB has produced a slide pack that demonstrates the impact of the actions it has taken since the outbreak of the COVID-19 virus. This pack shows the effect on liquidity and primary market issuance.

https://www.ecb.europa.eu/press/key/date/2020/html/ecb.sp200416_annex~67e9ddfe07.en.pdf