



EUROPEAN CENTRAL BANK

EUROSYSTEM

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President

Mr Paul Tang
Member of the European Parliament
European Parliament
60, rue Wiertz
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Frankfurt am Main, 25 September 2020

L/CL/20/232

Re: Your letter (QZ-040)

Honourable Member of the European Parliament, dear Mr Tang,

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 29 June 2020.

In response to your first question, and following a thorough assessment, we regret to inform you that specific data on the individual value of bonds cannot be provided since such disclosure would undermine the protection of the public interest under the second indent of Article 4(1)(a) of Decision ECB/2004/3¹. The disclosure of detailed, disaggregated data on the securities purchased and held under the corporate sector purchase programme (CSPP) and the pandemic emergency purchase programme (PEPP), such as the separate bond value of CSPP and PEPP assets held by the Eurosystem, in a centralised and complete manner would allow market participants to draw inferences about the Eurosystem's holdings and adjust their behaviour according to assumptions drawn from the information made available. The CSPP and PEPP purchases are intended to have a positive effect on all targeted asset categories. Being unaware of the individual assets considered for purchase by the ECB and the euro area national central banks (NCBs), market participants tend to invest broadly in the entire categories targeted. By contrast, granting market participants access to detailed, disaggregated information on the CSPP and PEPP portfolios could introduce undue volatility and distort price discovery in the market while compromising the effectiveness of the

¹ See Decision (EC) 2004/258 of the European Central Bank of 4 March 2004 on public access to European Central Bank documents (ECB/2004/3) (OJ L 080, 18.3.2004, p.42), available at [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32004D0003\(01\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32004D0003(01))

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intervention measures and, potentially, their monetary policy objective.² Disclosure of the requested data may lead to market fragmentation and undermine the level playing field on which issuers and originators operate, thereby jeopardising the ECB's intention of minimising the impact of the purchase programmes on price discovery and market functioning. In short, disclosure of the value of individual bonds would harm the effectiveness of these programmes. Efficient implementation of the asset purchase programmes, including the CSPP, is critical in delivering the favourable financial conditions that are necessary to support the economy in view of the severe risks posed to the outlook for the euro area by the coronavirus (COVID-19) pandemic and a sustained adjustment in the inflation path consistent with the ECB's primary objective of price stability.

As regards the effectiveness of our asset purchase programmes, the ECB tailors its monetary policy instruments to real and financial conditions with a view to supporting growth, employment and prices as effectively as possible. Asset purchases, in particular through the CSPP and PEPP, are designed in a broad and flexible manner to support the programmes' effectiveness and mitigate distortions in specific market segments. Bond purchases are a particularly effective way of easing the monetary policy stance in the current crisis as they can directly affect market funding conditions for companies and the price of credit for households and small and medium-sized businesses. By putting downward pressure on the medium and long-term segments of the yield curve, they complement and reinforce negative interest rates and forward guidance on rates. Against this background, the Governing Council decided in June to increase the PEPP envelope by €600 billion to a total of €1,350 billion, and to extend the net purchase horizon until at least the end of June 2021. In any case, the ECB will conduct net asset purchases under the PEPP until the COVID-19 pandemic crisis phase is over. The effectiveness of our measures is clearly visible in the data; the financing conditions for governments, firms and banks have gradually been moving back towards their pre-crisis levels, although they have not yet reached them. Eurosystem staff estimate that the policy decisions taken since March 2020 on asset purchases and the targeted longer-term refinancing operations (TLTROs) will add around 1.3 percentage points cumulatively to the level of euro area output over the projection horizon until 2022, while the contribution to the annual inflation rate is estimated to be around 0.8 percentage points cumulatively over the projection horizon.

Finally, you also refer to the use of the EU taxonomy for sustainable activities. The Eurosystem is of the view that this taxonomy is an essential milestone to provide clarity and certainty on the definition of sustainability and to contribute to the further growth of sustainable finance. It is expected to benefit all financial market participants by facilitating the identification of sustainable assets and the integration of sustainability considerations in investment decisions. Against this background, the ECB welcomes the recent adoption of the Taxonomy Regulation by the co-legislators. At the same time, it is noted that the taxonomy framework remains incomplete. First, it still requires the adoption of delegated acts and will only

² See paragraph 80 of the Judgment of the General Court (Ninth Chamber) of 4 June 2015, *Versorgungswerk der Zahnärztekammer Schleswig-Holstein v ECB*, Case T-376/13, ECLI:EU:T:2015:361, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:62013TJ0376>

enter fully into force in 2023. The ECB thus encourages prompt implementation of the delegated acts. Second, the sectoral scope of the EU taxonomy is still incomplete and should ideally be broadened to cover the activities of all relevant sectors. Third, the taxonomy still requires granular information in order for users to assess whether economic activities are aligned with its technical screening criteria and “do no significant harm” principles. For the taxonomy to be usable in practice, the availability of such information should be substantially improved, notably by improving corporate disclosure. More generally, as recently highlighted in the Eurosystem reply to the European Commission’s public consultations on the Renewed Sustainable Finance Strategy and the revision of the Non-Financial Reporting Directive³, the taxonomy is defined in terms of making a substantial contribution to the EU climate and environmental objectives. It therefore provides clear definitions of what is “sustainable” from a “normative” perspective – aimed at assessing the alignment of a given economic activity with defined sustainability goals – and not from a risk management perspective, which is aimed at minimising exposures to climate and environmental risks. In accordance with this, the ECB supports the development of a “risk-based” taxonomy of assets most exposed to climate and environmental risks as a necessary complement to the green taxonomy, which could assist supervisors and central banks in their tasks.

In summary, the ECB is firmly committed to exploring every possible avenue, within its mandate, through which it can contribute to mitigating climate change. To this end, we have already taken a number of concrete measures. Most recently, on 22 September the ECB decided that bonds with coupon structures linked to certain sustainability performance targets will become eligible as collateral for Eurosystem credit operations and also for Eurosystem outright purchases for monetary policy purposes, provided they comply with all other eligibility criteria⁴. The coupons must be linked to a performance target referring to one or more of the environmental objectives set out in the EU Taxonomy Regulation and/or to one or more of the United Nations Sustainable Development Goals relating to climate change or environmental degradation. This further broadens the universe of Eurosystem-eligible marketable assets and signals the Eurosystem’s support for innovation in the area of sustainable finance. The monetary policy strategy review, whose timeline has been extended owing to the coronavirus pandemic, will include an entire session dedicated exclusively to climate change. This will provide the opportunity to reflect on sustainability issues in more detail and on how environmental sustainability can be taken into account in our monetary policy framework.

Yours sincerely,

[signed]

Christine Lagarde

³ See Eurosystem reply to the European Commission’s public consultations on sustainable finance and the revision of the non-financial reporting directive, available at https://www.ecb.europa.eu/pub/pdf/other/ecb.eurosystemreplyeuropeancommissionpublicconsultations_20200608~cf01a984aa.en.pdf

⁴ See <https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200922~482e4a5a90.en.html>

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