



EUROPEAN CENTRAL BANK

EUROSYSTEM

Christine LAGARDE

President

Mr Gunnar Beck  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt am Main, 28 May 2021

L/CL/21/122

**Re: Your letter (QZ-030)**

Honourable Member of the European Parliament, dear Mr Beck,

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 20 April 2021.

Euro area bond markets have experienced record levels of issuance by Member States and supranational institutions over the last year in response to the coronavirus (COVID-19) pandemic. The European Union itself, as part of its emergency support package to tackle the economic impact of the COVID-19 pandemic, has put in place temporary instruments which rely on the issuance of debt securities.<sup>1</sup> Subject to the national ratification procedures of the Own Resources Decision<sup>2</sup>, issuance by the EU under these temporary programmes would make it one of the largest issuers in Europe.

The Eurosystem purchases debt securities issued by public and private entities as part of its monetary policy measures to support the monetary policy transmission mechanism and to provide the policy stimulus needed

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<sup>1</sup> The European Commission, on behalf of the European Union, is borrowing from the international capital markets to support national short-time work schemes (SURE – Support to mitigate Unemployment Risks in an Emergency) to help workers keep their jobs during the crisis. In addition, EU leaders have agreed on a comprehensive package of more than €1.8 trillion to be disbursed starting in 2021, including the 2021-27 Multiannual Financial Framework (MFF) and an extraordinary recovery effort under the Next Generation EU (NGEU) instrument. For more information, see the European Commission's communication explaining the diversified funding strategy for NGEU, available at: [https://ec.europa.eu/info/strategy/eu-budget/eu-borrower-investor-relations/nextgenerationeu-diversified-funding-strategy\\_en](https://ec.europa.eu/info/strategy/eu-budget/eu-borrower-investor-relations/nextgenerationeu-diversified-funding-strategy_en).

<sup>2</sup> Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom (OJ L 424, 15.12.2020, p. 1), available at: [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L\\_.2020.424.01.0001.01.ENG](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2020.424.01.0001.01.ENG).

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to safeguard medium-term price stability. In the context of the public sector purchase programme (PSPP) and the pandemic emergency purchase programme (PEPP), it also purchases bonds issued by EU institutions<sup>3</sup> in the secondary market<sup>4</sup>, subject to the rules and conditions set out in the applicable legal framework. Debt instruments issued for the financing of the Next Generation EU instrument could be eligible for secondary market purchases under the PSPP and the PEPP to the same extent as the existing debt instruments issued by EU institutions. The eligibility criteria are laid out in Article 3 of the PSPP Decision<sup>5</sup> and Articles 1-3 of the PEPP Decision<sup>6</sup>. The ECB and the national central banks (NCBs) publish a list of all debt securities issued by public and private entities that are eligible for the purchase programmes, which includes the names of the issuers of these securities.<sup>7</sup>

Under the Eurosystem's operational specialisation approach, purchases of debt securities issued by supranational institutions located in the euro area – irrespective of the domicile of the issuing institution – are conducted by certain NCBs only, while the risks pertaining to those securities holdings are shared across the Eurosystem.<sup>8</sup> Each of these NCBs publishes a list of its securities holdings that are made available for securities lending, which include bonds issued by EU institutions.<sup>9</sup> On 31 March 2021, the Eurosystem's cumulative net purchases of supranational bonds amounted to €328.4 billion<sup>10</sup> and 179 bonds issued by EU institutions were held in monetary policy portfolios (see the Annex for a breakdown by individual issuer).

Yours sincerely,

[signed]

Christine Lagarde

<sup>3</sup> For the current list of international and supranational institutions located in the euro area whose securities are eligible for the PSPP and PEPP, see <https://www.ecb.europa.eu/mopo/implement/omt/html/pspp.en.html>.

<sup>4</sup> The Eurosystem does not purchase supranational bonds under the PSPP or the PEPP in the primary market, as such purchases are not allowed under Article 123 of the Treaty on the Functioning of the European Union. For more information, see <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:12008E123:EN:HTML>.

<sup>5</sup> Decision (EU) 2020/188 of the European Central Bank of 3 February 2020 on a secondary markets public sector asset purchase programme (ECB/2020/9) (OJ L 39, 12.2.2020, p. 12), available at: <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX%3A32020D0188>.

<sup>6</sup> Decision (EU) 2020/440 of the European Central Bank of 24 March 2020 on a temporary pandemic emergency purchase programme (ECB/2020/17) (OJ L 91, 25.3.2020, p. 1), available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020D0440>.

<sup>7</sup> For more information, see <https://www.ecb.europa.eu/paym/coll/assets/html/list-MID.en.html>.

<sup>8</sup> The following NCBs conduct purchases of EU supranational bonds: Eesti Pank, the Bank of Greece, the Banco de España, the Banque de France, Latvijas Banka, the Banque centrale du Luxembourg and Národná banka Slovenska.

<sup>9</sup> For more information, links to the lists of securities held by NCBs that conduct purchases of EU supranational bonds are available at: <https://www.ecb.europa.eu/mopo/implement/app/lending/html/index.en.html>.

<sup>10</sup> This total is comprised of €261.2 billion of PSPP purchases and €67.2 billion of PEPP purchases. For more information, see <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>.

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**Annex**

*Table 1 – Number of securities issued by international or supranational institutions located in the euro area held in monetary policy portfolios by the Eurosystem*

<b>Institution</b>	<b>Number of securities</b>
<b>Council of Europe Development Bank</b>	14
<b>European Financial Stability Facility</b>	47
<b>European Investment Bank</b>	70
<b>European Stability Mechanism</b>	21
<b>European Union</b>	27
<b>Nordic Investment Bank</b>	6
<b>Total number of securities</b>	<b>185</b>
<b>Total EU institutions (excl. Nordic Investment Bank)</b>	<b>179</b>

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