



EUROPEAN CENTRAL BANK
EUROSYSTEM

ECB-PUBLIC
COURTESY TRANSLATION

Mario DRAGHI
President

Mr Marco Valli
Mr Marco Zanni
Members of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 24 July 2018

L/MD/18/249

Re: Your letter (QZ-052)

Honourable Members of the European Parliament, dear Mr Valli, dear Mr Zanni,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 18 June 2018.

The ECB regularly publishes data on the asset purchase programme (APP) on its website.¹ In making such information available, the ECB strikes a careful balance between transparency and the smooth and effective implementation of the APP, in line with the Protocol on the Statute of the ESCB and of the ECB. For instance, publishing data on the remaining purchase capacity under the issuer and issue share limits could influence private sector purchases or sales of certain issue series, thereby posing serious challenges for the smooth implementation of the APP.

As regards the reasons for the fluctuations in APP purchase volumes, it is necessary to distinguish between *gross* and *net* purchase volumes. APP purchases are implemented by the Eurosystem (i.e. the ECB and the national central banks of the EU Member States that have adopted the euro). Monthly *net* purchases under the APP currently total €30 billion on average,² and this refers to combined *net* purchases under the public sector purchase programme (PSPP), the asset-backed securities purchase programme, the third covered bond purchase programme and the corporate sector purchase programme. This *net* purchase target is the

¹ Historical data showing cumulative purchase breakdowns under the APP are available here:
http://www.ecb.europa.eu/mopo/pdf/APP_breakdown_history.csv

² On 14 June 2018 the Governing Council stated that it “anticipates that, after September 2018, subject to incoming data confirming the Governing Council’s medium-term inflation outlook, the monthly pace of the net asset purchases will be reduced to €15 billion until the end of December 2018 and that net purchases will then end” (<https://www.ecb.europa.eu/press/pr/date/2018/html/ecb.mp180614.en.html>).

Address
European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal address
European Central Bank
60640 Frankfurt am Main
Germany

Tel.: +49-69-1344-0
Fax: +49-69-1344-7305
Website: www.ecb.europa.eu

amount by which the Eurosystem aims to increase the total stock of assets held under the APP each month. To ensure that the stock of APP assets does not shrink as a result of redemptions (i.e. maturing securities) and grows in line with this monthly *net* purchase target, principal payments from maturing securities are reinvested, leading to higher purchases in *gross* terms (new monthly purchases plus reinvestment of redemptions). In the case of the PSPP, *net* purchases are carried out in line with the ECB's capital key, and principal payments from redemptions are reinvested in bonds issued in the same jurisdiction as the maturing securities.

Redemptions of debt securities held in the various programme portfolios³ can lead to sizeable fluctuations in *gross* purchases. To avoid any market disruptions as a result of such fluctuations, reinvestments are, in some cases, spread over several months.⁴ Consequently, PSPP purchases of bonds issued in an individual jurisdiction can fluctuate from month to month. To keep total monthly *net* asset purchases broadly stable despite these fluctuations, the Eurosystem may, in a given month, adjust the shares of its purchases of bonds issued in other euro area jurisdictions, and then readjust them in subsequent months in order to remain in line with the ECB's capital key.

German bond redemptions in April 2018 were large, and not all of those redemptions could be reinvested in that month. This led to a temporary reduction in German securities' share of *net* purchases in that month, while the shares of all other jurisdictions were correspondingly higher. In May, those deviations were then reversed, with German securities' share of *net* purchases rising and the shares of all other jurisdictions declining accordingly.

At the same time, Italian bond redemptions in May 2018 were large. Indeed, *gross* purchases of Italian government bonds were 32% higher than in April, in line with the objective of reinvesting redemptions in the same month while avoiding market disruptions. In *net* terms, however, purchases of Italian bonds totalled €3.61 billion in May – higher than in March (€3.42 billion), but lower than in April (€3.97 billion).

I should also like to point out that purchase amounts are planned well in advance and based solely on the net targets set by the Governing Council and upcoming bond redemptions. It would therefore be misleading to link the observed purchase patterns with political events.

Yours sincerely,

[signed]

Mario Draghi

³ Historical data showing monthly redemption amounts for the APP are available here: https://www.ecb.europa.eu/mopo/pdf/APP_redemptions_history.csv

⁴ See the ECB's press release of 26 October 2017 providing additional information on the APP (<https://www.ecb.europa.eu/press/pr/date/2017/html/ecb.pr171026.en.html>): "Principal redemptions on securities purchased under the PSPP are reinvested by the Eurosystem in a flexible and timely manner in the month they fall due, on a best effort basis, or in the subsequent two months, if warranted by market liquidity conditions. The published monthly net purchase volumes per jurisdiction may therefore fluctuate owing to the timing of these reinvestments. During the period of net asset purchases, PSPP principal redemptions will be reinvested in the jurisdiction in which the maturing bond was issued."