



EUROPEAN CENTRAL BANK

EUROSYSTEM

Christine LAGARDE

President

Mr Johan Van Overtveldt
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 21 June 2021

L/CL/21/140

Re: Your letter (QZ-032)

Honourable Member of the European Parliament, dear Mr Van Overtveldt,

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 11 May 2021.

While responsibility for competition policy lies with the relevant Union and national authorities, the ECB monitors and analyses market structures, including the degree of market concentration, in order to understand macroeconomic outcomes and their potential implications for the conduct of monetary policy. In this context, we also look at market concentration and its effects on overall price developments.¹ Furthermore, as part of our ongoing strategy review, we are analysing various relevant macroeconomic trends, including market concentration, and their impact on monetary policy.

The eligibility of all corporate bonds that can be purchased under the corporate sector purchase programme (CSPP) and the pandemic emergency purchase programme (PEPP) is guided by our monetary policy objective and the obligations of the Eurosystem under the Treaties, taking into account appropriate financial risk management considerations. To ensure the effectiveness of monetary policy while keeping a level playing field for all market participants and avoiding undue market distortions, the range of corporate debt instruments

¹ See Valletti, T., "Concentration in markets: trends and implications for price-setting", *Price and wage-setting in advanced economies – 2018 ECB Forum on Central Banking*, ECB, Frankfurt am Main, 2018, pp. 292-301, available at: https://www.ecb.europa.eu/pub/pdf/sintra/ecb_forumcentbank201810.en.pdf. See also Cavalleri, M.C., Eliet, A., McAdam, P., Petroulakis, F., Soares, A. and Vansteenkiste, I., "Concentration, market power and dynamism in the euro area", *Working Paper Series*, No 2253, ECB, Frankfurt am Main, March 2019, available at: <https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp2253~cf7b9d7539.en.pdf>.

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eligible for the CSPP and the PEPP is deliberately broad. The Eurosystem's collateral framework is the basis for establishing the eligibility of corporate bonds that can be purchased under the CSPP and the PEPP. Purchases are guided by a benchmark that proportionately reflects the nominal value of eligible bonds in the CSPP-eligible universe. As such, the CSPP and the PEPP are not "selective" in the sense that they favour certain undertakings in comparison with others which are in a comparable legal and factual situation in the light of the monetary policy objective pursued by the programmes and the obligations of the Eurosystem under the Treaties. These obligations include respecting the principle of an open market economy with free competition, which both the CSPP and the PEPP refer to explicitly.²

Our efforts to ensure a level playing field for all market participants and avoid undue market distortions are designed to safeguard the healthy functioning of competition forces. Moreover, as indicated in my previous reply³ to your honourable colleague Mr Urtasun dated 5 February 2021, evidence suggests that the CSPP has directly improved financing conditions for the wide range of euro area companies that issue CSPP-eligible bonds, as well as indirectly for those companies that rely on other sources of funding, including small and medium-sized enterprises (SMEs). Regarding this direct support, the number of corporates that have issued CSPP-eligible instruments has only increased over time, which has extended the direct reach of this specific monetary policy instrument. Following this, the effects of our corporate bond purchases on competition in the Internal Market and market concentration are expected to have been minimal at most and do not raise concerns about the principle of sincere cooperation with the competition authorities of the Union.

Yours sincerely,

[signed]

Christine Lagarde

² See Recitals 6 and 7 and Article 4(3) of Decision (EU) 2016/948 of the European Central Bank of 1 June 2016 on the implementation of the corporate sector purchase programme (ECB/2016/16), OJ L 157, 15.6.2016, p. 28, and Recital 8 of 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.

³ See *Letter from the ECB President to Mr Ernest Urtasun, MEP, on monetary policy*, ECB, 5 February 2021, available at: https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter210205_Urtasun~e31de52af3.en.pdf.

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