



# The ECB's €750 billion Pandemic Emergency Purchase Programme

## A summary

Against the background of a profoundly weaker economic outlook for the euro area as well as deteriorating financial conditions, the European Central Bank (ECB) took decisive policy action in March 2020. As one of several measures to combat the negative effects of the coronavirus shock (such as those taken in the area of banking supervision), the ECB sizeably stepped up the asset purchases by Eurosystem central banks.

Besides an increase of asset purchases under the existing Asset Purchase Programme (APP) as well as the introduction of additional longer-term refinancing operations (LTROs), more favourable terms for targeted longer-term refinancing operations (TLTRO III) and collateral easing measures for accessing operations, the ECB launched the Pandemic Emergency Purchase Programme (PEPP), a temporary asset purchase programme for private and public sector securities. Overall, the total assets purchased by the ECB will amount to €1.1 trillion by the end of 2020.

### Key aspects

The PEPP was announced by the ECB's Governing Council on 18 March 2020 and officially established by way of the [Decision \(EU\) 2020/440](#) of 24 March 2020. The Eurosystem started conducting purchases under the PEPP on 26 March 2020.

Current weekly PEPP purchase volumes exceed the levels implemented over the lifetime of the APP so far. As of 17 April 2020, the PEPP holdings amounted to €70,674 million.

The PEPP foresees purchases at a volume of €750 billion of securities throughout 2020, and longer if needed.

### Eligibility conditions & further aspects

To target purchases to the specific shock and contingency at hand, the range of eligible assets under the PEPP is very broad. All asset categories eligible under the APP are also eligible under the PEPP. More specifically, under the PEPP the Eurosystem central banks purchase eligible:

- **marketable debt securities** in accordance with the [Decision \(EU\) 2020/188](#) on the secondary markets public sector asset purchase programme (PSPP). In order to be eligible for purchase under the PEPP, these shall have a minimum remaining maturity of 70 days and a maximum remaining maturity of 30 years and 364 days at the time of their purchase by the relevant Eurosystem central bank;
- **corporate bonds and other marketable debt instruments** in accordance with the

### Your team

**Friedrich Jergitsch**  
Partner, GT Finance  
T +43 1 515 15 118  
E [friedrich.jergitsch@freshfields.com](mailto:friedrich.jergitsch@freshfields.com)

**Stephan Pachinger**  
Partner, GT Capital Markets  
T +43 1 515 15 124  
E [stephan.pachinger@freshfields.com](mailto:stephan.pachinger@freshfields.com)

**Eva Schneider**  
Associate, GT Finance  
T +43 1 515 15 529  
E [eva.schneider@freshfields.com](mailto:eva.schneider@freshfields.com)

[Decision \(EU\) 2016/948](#) on the corporate sector purchase programme (CSPP). Marketable debt instruments with an initial maturity of 365/366 days or less are eligible for purchase under the PEPP if their minimum remaining maturity is 28 days at the time of their purchase. For those with an initial maturity of 367 days or more, the minimum remaining maturity at the time of purchase is 6 months and the maximum remaining maturity is 30 years and 364 days;

- **covered bonds** in accordance with the [Decision \(EU\) 2020/187](#) on the third covered bond purchase programme (CBPP3). For these, no maturity restrictions apply; and
- **asset-backed securities** in accordance with the [Decision \(EU\) 2015/5](#) on the asset-backed securities purchase programme (ABSPP). Here, there are also no restrictions on maturity.

## Public sector securities

For purchases of public sector securities, the benchmark allocation across jurisdictions is the capital key of the national central banks (i.e., their subscription to the ECB's capital as referred to in Article 29 of the Statute of the ESCB). At the same time, purchases under the PEPP are made in a flexible manner, thereby allowing the distribution of purchases to vary over time, across asset classes and jurisdictions, with the purpose of ensuring the smooth transmission of monetary policy to sectors and regions that need it most. This is also why the Governing Council decided to make bonds issued by all euro area sovereigns, including Greece, in principle eligible for purchases under the PEPP.

The consolidation of holdings under Article 5 of Decision (EU) 2020/188 does not apply to PEPP holdings. Moreover, the Eurosystem has declared to accept the same (*pari passu*) treatment as private investors as regards the public sector marketable debt securities that it may purchase under the PEPP, in accordance with the terms of such instruments.

## Private sector securities

Importantly, also corporate bonds issued in any euro area country can be included in the PEPP if they meet the relevant eligibility requirements, including the minimum rating threshold. Notably, the range of eligible assets under the CSPP has been expanded to non-financial commercial papers, making all commercial papers of sufficient credit quality eligible for purchases under the PEPP.

While asset managers and non-bank financial institutions are not eligible counterparties, the Eurosystem offers its eligible counterparties the possibility to share offers of eligible securities on behalf of non-eligible counterparties, such as asset managers and non-bank financial institutions, under the PEPP. The ECB emphasises that although final responsibility for the offered assets remains entirely with the eligible counterparties, they can include them in the daily inventories of assets they share with the Eurosystem, either by explicitly reporting which assets are offered on behalf of non-eligible counterparties or aggregating them with their inventories.

Companies wishing to issue bonds can make them eligible for the PEPP in the following way: Whenever new corporate bonds are issued in a country, the national central bank of that country will check whether they fulfil the minimum requirements to be eligible as collateral in refinancing operations. When this is the case and additional CSPP criteria are fulfilled, the bonds could become purchasable (although this is not automatic).

## Purchases in the primary and secondary markets

Depending on the type of securities, purchases are not only made in the secondary but also in the primary markets. Eurosystem central banks may purchase corporate bonds both in the primary and secondary markets, with the exception of public sector corporate bonds (as defined in Article 3(1) of Decision (EU) 2016/948), which may only be purchased in the secondary markets in accordance with the conditions of the CSPP. Purchases of covered bonds and asset-backed securities from eligible counterparties may also be made in the primary and secondary markets in accordance with the conditions of the CBPP3 and ABSPP, respectively. Marketable debt securities may only be purchased in the secondary markets in accordance with the PSPP.

Securities purchased under the PEPP are also made available for securities lending to support market liquidity and collateral availability in the market.

## Outlook

The ECB has expressed to be committed to “doing everything necessary within its mandate” to help the euro area through the current crisis. In line with what seems to be a new “whatever it takes” stance, the ECB’s Governing Council has also declared itself fully prepared to increase the size of its asset purchase programmes and adjust their composition, “by as much as necessary and for as long as needed”, exploring all options and all contingencies to support the economy throughout the shock.

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