Pandemic emergency purchase programme (PEPP) - Q&A

Updated on 7 February 2022

Q1 When did you start purchases under the PEPP?

The Eurosystem started conducting purchases under the pandemic emergency purchase programme (PEPP) on 26 March 2020. On 16 December 2021 the Governing Council decided to discontinue net asset purchases under the PEPP at the end of March 2022.

Q2 How will you distribute the purchase volumes across the APP and the PEPP?

The purchase volumes under the PEPP are separate from and in addition to the net purchases under the APP.

On 10 December 2020 the Governing Council decided that the Eurosystem will conduct the purchases under PEPP to preserve favourable financing conditions until at least March 2022. These purchases will be conducted flexibly on the basis of market conditions and with a view to preventing a tightening of financing conditions that is inconsistent with countering the downward impact of the pandemic on the projected path of inflation. In addition, the flexibility of purchases over time, across asset classes and among jurisdictions will continue to support the smooth transmission of monetary policy. If favourable financing conditions can be maintained with asset purchase flows that do not exhaust the envelope over the net purchase horizon of the PEPP, the envelope need not be used in full. Equally, the envelope can be recalibrated if required to maintain favourable financing conditions to help counter the negative pandemic shock to the path of inflation. The PEPP allocation of public sector securities across jurisdictions is guided by the Eurosystem capital key of the national central banks.

Q3 Are the assets eligible for purchase under the PEPP the same as under the APP?

The PEPP includes all the asset categories eligible under the existing asset purchase programme (APP). In addition, the PEPP includes a waiver of the eligibility requirements for securities issued by the Greek Government. For public sector asset purchases under the PEPP the minimum eligible remaining maturity is reduced to 70 days, while the maximum eligible remaining maturity for public sector asset purchases under the PEPP is set at 30 years and 364 days, in line with the PSPP. Moreover, the eligibility of non-financial commercial paper under the corporate sector purchase programme (CSPP) was expanded to include securities with a remaining maturity of at least 28 days. These securities can be purchased under both the CSPP and the PEPP. Previously, only commercial paper with a remaining maturity of at least six months had been eligible for purchase under the CSPP.

Q4 Can asset managers and non-bank financial institutions offer assets eligible for purchases under the APP and the PEPP?

Asset managers and non-bank financial institutions are not eligible counterparties. However, 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 APP and the PEPP. Although final responsibility for the offered assets remains entirely with the eligible counterparties, they can include them in the daily inventories of assets that 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. In periods of heightened investor uncertainty, such as during the current coronavirus pandemic, this option can contribute to alleviating market tensions and supporting proper market functioning.

Q5 Will you conduct catch–up purchases in bonds issued by the Greek Government?

Bonds issued by the Greek Government are only eligible for the PEPP, not for the APP. Therefore, there will be no catch-up purchases.

Q6 What is the distribution between the share of public purchases and private purchases in the PEPP?

The Eurosystem will purchase eligible securities under the PEPP in a flexible and appropriate manner to foster smooth market functioning and counter risks to the monetary policy transmission mechanism. Therefore, there is no pre-defined distribution across asset classes. Instead, purchases will be carried out flexibly to achieve monetary policy objectives.

Q7 Will the PEPP be risk shared?

The same risk-sharing principles apply for the PEPP as for the APP. Thus, the private sector purchases will be fully risk shared, while for the public sector purchases the ECB's share of purchases as well as purchases of securities of European institutions will be subject to risk sharing. This implies that 20% of public sector asset purchases under PEPP will be subject to risk sharing. The rest of the NCBs' additional public sector purchases will not be subject to risk sharing.

Q8 Are the rating requirements for the PEPP the same as for the APP?

Yes. The only exception is the eligibility of Greek Government bonds under the respective waiver.

Q9 What maturity range applies to the securities you buy in the PEPP?

The residual maturity of public sector securities purchased under the PEPP ranges from 70 days up to 30 years and 364 days. For private securities eligible under the CSPP, debt instruments must have either (i) an initial maturity of 365/366 days or less and a minimum remaining maturity of 28 days at the time they are bought, or (ii) an initial maturity of 366/367 days or more, a minimum remaining maturity of six months and a maximum remaining maturity of less than 31 years (i.e. purchases of securities with a remaining maturity of 30 years and 364 days are possible) at the time they are bought. For ABSPP and CBPP3-eligible securities, no maturity restrictions apply.

Q10 Do you have target volumes of purchases under the PEPP?

The PEPP has an overall envelope of €1,850 billion. The Eurosystem is applying a flexible purchase approach based on market conditions and with a view to preventing a tightening of financing conditions that is inconsistent with countering the downward impact of the pandemic on the projected path of inflation. If favourable financing conditions can be maintained with asset purchase flows that do not exhaust the envelope over the net purchase horizon of the PEPP, the envelope need not be used in full. In the first quarter of 2022 the Governing Council expects to conduct net asset purchases under the PEPP at a lower pace than in the previous quarter.

Q11 How long will the PEPP last? Can the PEPP be terminated soon if the COVID-19 crisis ends?

On 16 December 2021 the Governing Council decided to discontinue net asset purchases under the PEPP at the end of March 2022 and to reinvest the principal payments from maturing securities purchased under the PEPP until at least the end of 2024. Net purchases under the PEPP can be resumed, if necessary, to counter negative shocks related to the pandemic.

Q12 Are the securities purchased under the PEPP also foreseen for securities lending?

Yes. The same conditions will apply for securities lending transactions under the PEPP as under the APP.

Q13 Will you publish data for the PEPP?

Yes. The aggregate book value of securities held under the PEPP will be published on a weekly basis. PEPP monthly net purchases and cumulative net purchases will be published on a monthly basis. In addition, every two months the Eurosystem will publish the jurisdictional composition of public sector cumulative net purchases, information on the weighted average maturity of public sector holdings and the share of private assets purchased in primary and secondary markets for private sector asset purchases.

Q14 I am a company and I want to issue bonds. How can I make them eligible for the PEPP?

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).

Q15 Will “green” criteria be included in the PEPP?

The eligibility criteria for the PEPP will be the same as under the programmes that constitute the APP, namely the public sector purchase programme (PSPP), the corporate sector purchase programme (CSPP), the covered bond purchase programme (CBPP3) and the asset-backed securities purchase programme (ABSPP).

Q16 How are PEPP redemptions in public sector securities reinvested during normal times?

Since the beginning of PEPP, the redemptions of government and agency securities have been reinvested in the jurisdiction in which principal repayments are made and in the month they fall due. For redemptions of bonds issued by EU supranational institutions, reinvestments have been conducted across eligible EU supranational issuers and in the month they fall due. A smoothing mechanism was not necessary given the low volumes of redemptions at the time.

Starting in 2022, unless market conditions require otherwise, reinvestments in public sector securities will be smoothed across jurisdictions and across time. The large and unevenly distributed redemptions going forward make a distribution of reinvestments over the calendar year necessary to allow for a regular and balanced market presence in order to give due regard to market price formation and market functioning considerations. This smoothing mechanism may lead to additional temporary deviations of the PEPP holdings from the ECB capital key allocation, but these are expected to reverse by the end of the smoothing period, which is the calendar year in which the redemptions take place.

Q17 How flexible can reinvestments in public sector securities be?

Within our mandate, under stressed conditions, flexibility will remain an element of monetary policy implementation whenever threats to monetary policy transmission jeopardise the attainment of price stability. In particular, in the event of renewed market fragmentation related to the pandemic, PEPP reinvestments can be adjusted flexibly across time, asset classes and jurisdictions at any time. This could include purchasing bonds issued by the Hellenic Republic over and above rollovers of redemptions in order to avoid an interruption of purchases in that jurisdiction which could impair the transmission of monetary policy to the Greek economy while it is still recovering from the fallout of the pandemic.
